

Developing a scale to measure the extent of customer engagement in the South African retail banking industry

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It all starts here TM

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ABSTRACT

The retail banking industry of South Africa is currently facing various challenges due to the rapid growth of the market, new entrants, an unpredictable economic environment, escalating regulatory costs, changing customer behaviour, and the ease with which customers can switch between banks when they are unsatisfied with the products and/or services received. These changes in the retail banking environment are affecting the profitability and success of retail banks negatively. As the survival of South Africa's core banks has a direct influence on the economic stability of the country, it is crucial for banks such as Absa, Capitec Bank, FNB, Nedbank and Standard Bank to remain sustainable during these challenging times. Based on the in-depth literature review, it became clear that retail banks need to develop enduring relationships with customers and that they have to focus on developing engaged customers, as these customers show positive behavioural intentions. Therefore, retail banks that are able to measure and improve customers' engagement, could realise a strategic advantage above competing banks.

The primary objective of the study was to develop a multi-item scale to measure the extent of customer engagement in the South African retail banking industry. In order to achieve this, the study provided insights into the South African retail banking industry within the services marketing domain, as well as an overview of relationship marketing as the foundation of customer engagement. The rudimentary customer engagement scale was further refined and tested in conjunction with other relationship marketing constructs.

The study followed an exploratory research design. A quantitative research design was adopted, although qualitative research techniques were used to assist in the development of the initial customer engagement scale. Non-probability convenience and quota sampling was used to collect data by means of a self-administered questionnaire from the target population (Generations X and Y and baby boomers), who had been making use of the retail banking services of one of the main retail banks for two or more years. A total of 231 usable questionnaires were collected during the first data collection phase, and 152 usable questionnaires during the second data collection phase. A 14-item scale was developed, which measures customer engagement in the South African retail banking industry. This multi-item scale could guide retail banks to improve customer engagement so that they might enjoy the benefits of engaged customers and gain a competitive advantage in this changing industry. In addition, a customer engagement model was proposed that may be used as a measure to establish customer loyalty in the South African retail banking industry.

ABBREVIATIONS

ABSA – Amalgamated Banks of South Africa

ANOVA – Analysis of variance

CE – Customer engagement

CFA – Confirmatory factor analysis

EFA – Exploratory factor analysis

FNB – First National Bank

KMO measure – Kaiser-Meyer-Olkin measure

MSI – Marketing Science Institute

SEM – Structural equation modelling

KEYWORDS

- **Customer engagement**

Customer engagement is a psychological state, which occurs as a result of interactive, co-creative customer experiences in relationships with businesses. It is considered a multidimensional concept, where customers are turned into loyal supporters in an intimate and enduring relationship with a business and its overall offering (Brodie *et al.*, 2011:1; Brodie *et al.*, 2013:107; Sashi, 2012:257). According to Van Doorn *et al.* (2010:253), customer engagement goes beyond awareness, purchase satisfaction and retention, and can occur in both an online and/or offline setting (Malciute & Chrysochou, 2013:1).

- **Consumer behaviour**

‘Consumer behaviour’ refers to the behaviour that consumers exhibit during the consumption process, including searching for, purchasing, using, evaluating as well as disposing of products or services in their quest to satisfy needs (Joubert, 2013:1; Peter & Olson, 2010:5; Vivek *et al.*, 2012:217; Webb, 2010:4).

- **Scale development**

The development of a scale entails the uncovering and combination of unbiased items that are progressively arranged and tested (according to value or magnitude) in an attempt to represent the items in the scale quantitatively (Bradley, 2010:197; Zikmund, 2003:228).

- **Retail banking**

‘Retail banking’ refers to the cluster of financial products or services provided to cater for the diverse banking needs of customers for final use or consumption (excluding any other entities such as businesses or trusts), including deposits and financial advances at physical branches or via the Internet (Das, 2009:23; Lin *et al.*, 2011:252).

- **The South African retail banking industry**

According to Ernest and Young (2012:55), the South African retail banking industry is the largest banking market in Africa and is dominated by a few banking groups (Absa, Capitec Bank, FNB, Nedbank and Standard Bank), representing approximately 80% of the sector’s assets. Although there are various other smaller banks operating in South Africa, this study focused only on the five major banks of the South African retail banking industry.

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CHAPTER 1

INTRODUCTION AND OVERVIEW

1.1 INTRODUCTION

The purpose of this chapter is to present an introduction and overview of the study. The chapter commences with a relevant background to the study, followed by an overview of the retail banking industry of South Africa. The chapter further offers the research problem, the research objectives and the research methodology followed in the study. Finally, Chapter 1 concludes with the contribution of the study and a chapter outline of the rest of the study.

1.2 BACKGROUND OF THE STUDY

The South African banking industry has been experiencing rapid growth for some time, but external pressures – due to an uncertain economic outlook, rising regulatory costs, the threat of new entrants to the market and above all, the ever-changing behaviour and increasing demands of customers – are affecting the profitability and growth of the banking industry negatively (Taylor, 2011:1). This challenging situation is furthermore perpetuated by the apparent ease with which customers switch between banks (Ernest & Young, 2012:1; Taylor, 2011:2).

Retail banks wanting to achieve a sustainable competitive advantage and which would like to prosper in this challenging environment, have to encourage enduring relationships with their customers – relationships that go beyond awareness, satisfaction, retention and loyalty (Sashi, 2012:257). However, not all customers have long-term relationships with their banks. As it is inconvenient for banks when customers switch, it is important for banks to identify those customers who want to engage in a long-term relationship. In order to capitalise on these forms of customer value, retail banks can focus on nurturing customer engagement (Ashley *et al.*, 2011:149; Taylor, 2011:2). Javornic and Mandelli (2012:303) further opine that the South African banking industry could benefit from engaged customers, as these customers generally display positive behavioural intentions, such as advocating the bank and its services to others. Customers that are engaged are loyal to the business and are willing to keep on purchasing products and services (Cheung *et al.*, 2015:92). Engaged customers also experience more satisfaction and trust in the business (Sashi, 2012:259; Vivek *et al.*, 2012:127). Furthermore, engaged customers have the courage to complain to the business as well as to make suggestions for product and/or service improvements (Javornic & Mandelli, 2012:304). Also, an engaged customer becomes an advocate for the business and promotes the products and/or services at every given opportunity

(Ahuja & Medury, 2010:95; Roberts & Alpert, 2010:198). Thus, a retail bank that is able to identify those customers who are engaged as well as those who are not engaged, and which is able to measure the extent of its customers' engagement, could use this valuable information to its strategic advantage.

In marketing literature, the construct of 'customer engagement' only emerged as a topic of interest by 2006 (Brodie *et al.*, 2011:255). During the previous decades, the focus of relationship marketing research was primarily aimed at enhancing, retaining and maintaining relationships with customers (Vivek *et al.*, 2012:127). Literature regarding the extent of customer engagement is also fairly scarce, and customer engagement as a construct, particularly in the field of relationship marketing in the service industry has not yet been satisfactorily explored (Javornic & Mandelli, 2012:301; Sashi, 2012:257; So *et al.*, 2016:64). In the South African banking industry, research on customer engagement is still in its infancy, and a scale to measure customer engagement in this context does not exist. To address this gap, this study implemented a well-proven scientific process to develop a scale to measure the extent of customer engagement effectively.

The aim of this study was, therefore, to develop a multi-item scale using Churchill's paradigm (developed in 1979), in order to measure the extent of customer engagement in the South African retail banking industry. It was envisioned that the research findings could assist in the operationalisation of the customer engagement construct. The study furthermore attempted to contribute a valid and reliable multi-item scale to measure the extent of customer engagement in the retail banking industry. The study also contributes to the existing marketing literature and will benefit the South African banking industry by enabling retail banks to measure this construct.

The following sections present an overview of the retail banking industry, an overview of the related literature as well as the research problem pertaining to the study. The objectives of the study are presented, followed by the research methodology and the contribution of the study. The chapter concludes with an outline of the chapters in this the study.

1.3 OVERVIEW OF THE SOUTH AFRICAN RETAIL BANKING INDUSTRY

In order to provide an overview of the South African retail banking industry, this section defines retail banking, identifies the major retail banks in South Africa, explains the services that retail banks perform, and highlights the various challenges that retail banks in South Africa face.

1.3.1 Defining retail banking

‘Retail banking’ is defined as a cluster of financial products and services that cater for customers’ various banking needs, namely deposits and financial advances at physical branches or by means of the Internet (Das, 2009:23; Lin *et al.*, 2011:252).

1.3.2 Major retail banks in South Africa

The South African banking industry is dominated by a few banking groups (namely Absa, Capitec Bank, FNB, Nedbank and Standard Bank), representing approximately 80% of the sector’s assets (Ernest & Young, 2012:55). The market share of each bank is illustrated in Table 1-1.

Table 1-1: Market share of major retail banks

Retail bank	Market share
Standard bank	11.6 million customers
Absa	9.4 million customers
Nedbank	7.4 million customers
Capitec Bank	7.3 million customers
FNB	7.2 million customers

Source: Adapted from BusinessTech (2016).

From Table 1-1, it is clear that Standard Bank has the biggest market share with 11.6 million customers followed by Absa (9.4 million), Nedbank (7.4 million), Capitec Bank (7.3 million), and FNB (7.2 million).

1.3.3 Banking services

The retail banking industry provides various banking services to individuals or retail banking customers, namely cash accessibility, settlements, loans, deposits, investments and related assistance (Ahmad, 2005:318).

1.3.4 Challenges in the banking industry

The South African banking industry has prospered in the last few of years and is regarded as the largest banking market in Africa (Ernest & Young, 2012:55; Springfield, 2015). Since 1994, the South African banking industry has experienced rapid growth but is experiencing pressure as a result of the uncertain economic outlook, the ease with which new entrants are entering the market, and rising regulatory costs in South Africa (Ernest & Young, 2012:1; Taylor, 2011:2). Furthermore, banks are also facing increasing competitiveness due to increased technological innovation and improvement (Finnegan, 2016; Harris, 2013).

Since 2015, South African banks are feeling the pressure even more as the trust relationship between the customer and their banks had been damaged during the financial crisis in 2008 when banks could not provide tailored banking products and services to satisfy customer expectations (Ernest & Young, 2012:6; Springfield, 2015). To complicate the market further, banks realised that customer expectations and behaviour have changed in recent years. Banking customers are increasingly expecting more from their banks as they are displaying new demanding behaviour, which is further increased due to the ease with which customers can switch to a competitor bank when they are dissatisfied (Berndt *et al.*, 2004:31; Ernest & Young, 2012:1; Taylor, 2011:2). Customers of four of the main Banks (Absa, Capitec Bank, FNB, Nedbank and Standard Bank) all had negative customer service, banking fees, as well as credit and savings products and services ratings. Also, FNB and Absa had the highest proportion of customers that indicated their intention to leave (BusinessTech, 2016). These changes are moreover affecting the banking industry's growth and profitability in a negative way. The importance of the survival of core banks such as Absa, Capitec Bank, FNB, Nedbank and Standard Bank cannot be overemphasised as South Africa's economic stability depends on the success of these banks (PWC, 2016:4).

1.4 RESEARCH PROBLEM

From the above discussion, the following problem areas are highlighted:

- The South African banking industry is changing and is faced with environmental challenges and adapting customer behaviour (Springfield, 2016; Taylor, 2011:1).
- The retail banking industry has become a highly competitive industry (Petzer *et al.*, 2016:7; Harris, 2013; Taylor, 2011:2).
- Retail banking customers are becoming less loyal than before and tend to switch easily between banks (Ernest & Young, 2012:1; Petzer *et al.*, 2016:8;).
- Retail banks have to respond swiftly to these changes in order to create and sustain a competitive advantage, as well as to create long-term relationships with their customers (Petzer *et al.*, 2016:8; Taylor, 2011:2).
- A possible solution for retail banks is to go beyond traditional relationship marketing and to foster customer engagement (Ashley *et al.*, 2011:149; Taylor, 2011:2; Vivek *et al.*, 2012:127), since customer engagement goes beyond awareness, purchase, satisfaction, and retention (Sashi, 2012:253). Customer engagement also encourages collaboration between the customer and the product, service or brand (Sashi, 2012:253).
- Clarity around the construct of customer engagement is not yet satisfactory and a suitable multi-item scale that can measure customer engagement in retail banking does not yet exist (Javornic & Mandelli, 2012:301).

- Engaged customers can have several positive consequences for businesses, such as willingness to repurchase, to engage in word of mouth, to recommend the products or services, to complain, to participate online, to participate in the development of products or services, to write reviews or blogs, to be loyal as well as to trust the business and its offerings (Bijmolt *et al.*, 2010:341; Brodie *et al.*, 2011:260; Javornic & Mandelli, 2012:304; Sashi, 2012:259; Van Doorn, 2011:281; Vivek *et al.*, 2012:127).

Based on the above discussions and identified problem areas, the following problem statement was formulated for the study:

The South African retail banking industry is evolving, and banks are faced with growing competition and dynamic customer behaviour. This set of conditions makes it difficult for retail banks to create and maintain valuable long-term relationships with their customers. For a retail bank to survive and prosper in these conditions, nurturing customer engagement is seen as a viable solution, since customer engagement goes beyond awareness, purchase, satisfaction, and retention; it creates collaboration between the customer, the product, service or brand. Limited research has, however, been conducted with respect to customer engagement, and a suitable scale to measure this construct in a South African retail banking context has not yet been developed. Such a scale could provide clarity around the concept of customer engagement and may assist South African retail banks in nurturing customer engagement in order to retain customers, attain a competitive advantage as well as the benefit of customer loyalty and profitability in these difficult market conditions.

1.5 OBJECTIVES OF THE STUDY

Based on the above background information and industry overview, the following research objectives (primary and secondary) were formulated to assist with the identified research problem.

1.5.1 Primary objective of the study

The primary objective of this study was to develop a multi-item scale to measure the extent of customer engagement in the South African retail banking industry.

1.5.2 Secondary objectives of the study

In order to realise the primary objective and to address the research problem, the following secondary objectives were formulated, namely to:

- provide insights into the South African retail banking industry;

- provide a theoretical overview of services marketing;
- provide an overview of the theory that underpins customer engagement from a relationship marketing perspective;
- provide a theoretical overview to conceptualise customer engagement;
- develop a rudimentary scale to measure the extent of customer engagement in the retail banking industry;
- refine the customer engagement scale to exhibit a suitable factor structure across all items included in the scale;
- test the viability of the customer engagement scale in conjunction with other relationship marketing constructs; and
- determine whether differences exist between the different major retail banks included in the study.

An outline that demonstrates the association between the secondary objectives and the relevant literature chapters is provided in Table 1-2.

Table 1-2: An outline of secondary objectives and associated literature chapters

Secondary research objective	Literature chapter(s)
Provide insights into the South African retail banking industry	Chapter 2
Provide a theoretical overview of services marketing	Chapter 2
Provide an overview of the theory that underpins customer engagement from a relationship marketing perspective	Chapter 3
Provide a theoretical overview to conceptualise customer engagement	Chapter 4
Develop a rudimentary scale to measure the extent of customer engagement in the retail banking industry	Chapters 5 & 6
Refine the customer engagement scale to exhibit a suitable factor structure across all items included in the scale	Chapters 5 & 6
Test the viability of the customer engagement scale in conjunction with other relationship marketing constructs	Chapter 6
Determine whether differences exist between the different major retail banks included in the study	Chapter 6

Following this statement of the research objectives, the research methodology required to achieve the specified objectives is explained. This research methodology is presented briefly in the next section, while a detailed discussion of the research methodology is provided in Chapter 5.

1.6 RESEARCH METHODOLOGY

The aim of this section is to provide a brief overview of the empirical research method followed in the study as well as the literature that was consulted. As mentioned above, a detailed discussion of the research methodology is provided in Chapter 5.

1.6.1 Literature study

During the literature study, a selection of scientific journals, articles, books and research documents was consulted to provide the theoretical foundation of the study. These sources were Nexus, EBSCOhost, SA ePublications, Emerald, ScienceDirect, ProQuest, Google Scholar, and S.A. Media.

1.6.2 Empirical investigation

The empirical component of this study is discussed by paying attention to the research design, the method of data collection, the development of the sampling plan, the design and refinement of the research instrument, the administering of the research instrument as well as the data analysis phase of the study.

1.6.2.1 Research design and method of data collection

For the purpose of this study, exploratory research was used as the study focused on the development of a multi-item scale using Churchill's paradigm (1979) in order to measure the extent of customer engagement in the South African retail banking industry. This design is appropriate for research where new concepts in marketing are examined to develop a foundation for further research, and is known for its flexibility and unstructured nature (Zikmund *et al.*, 2010:55). Furthermore, a quantitative research design was implemented. Qualitative research techniques were, however, used to assist in developing the initial items to be included in the customer engagement scale to be fielded. This is explained in more detail in Chapter 5.

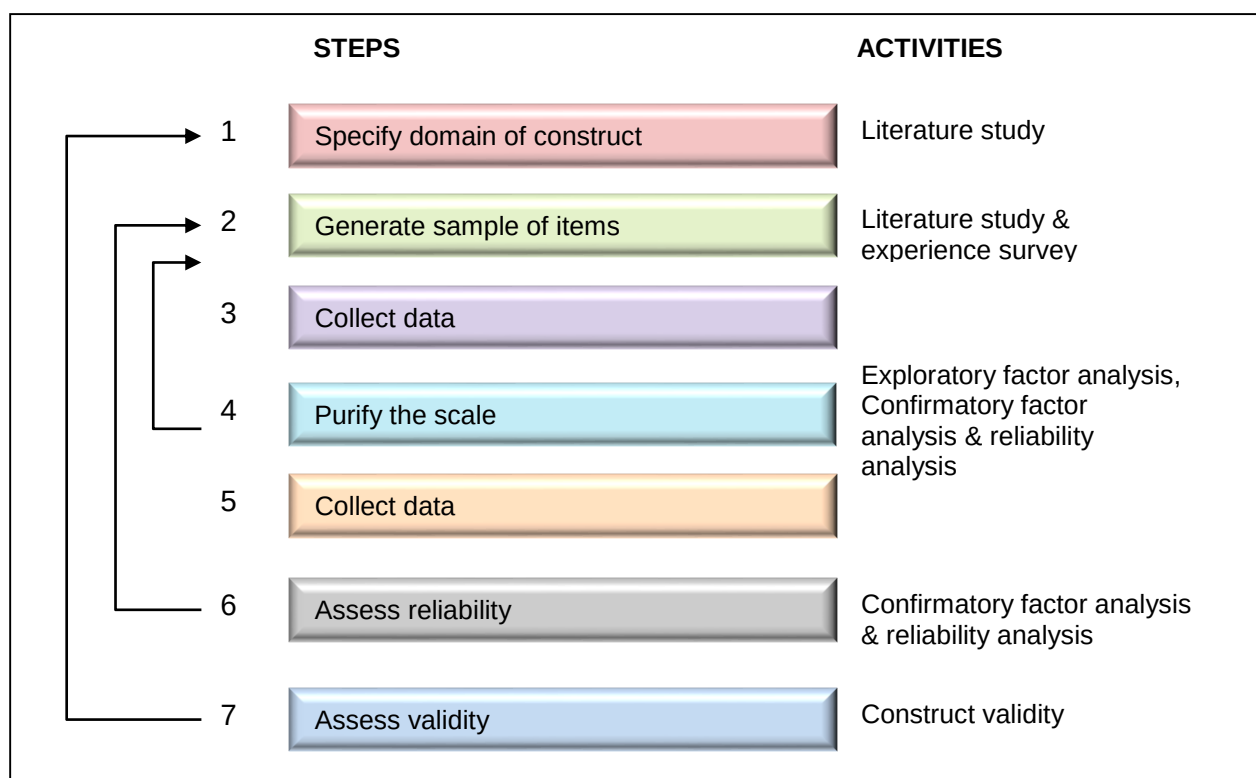
The methodology to develop the multi-item scale for this study was based on Churchill's (1979:66) suggested procedure for developing better marketing measures as illustrated in Figure 1-1. Various other scale development procedures exist, including the C-OAR-SE scale development procedure developed by Rossiter (2002:306) as well as the updated paradigm for scale development from Gerbing and Anderson (1988:191). However, since Churchill's procedure for scale development is widely accepted and respected in marketing, and due to the contribution this procedure has made over the years to developing reliable and valid measurement scales in studies conducted in the field of marketing, such as those by Mimouni-Chaabane and Volle (2010), Seiders *et al.* (2007) and Taljaard (2013), this procedure was chosen for this study.

As illustrated in Figure 1-1, Churchill's procedure has various steps, which are briefly explained.

- **Step 1: Specify domain of construct**

During the first step of the scale development, the domain of customer engagement was specified and defined by means of a literature study (Churchill, 1979:67). During this step, various methods and tools were utilised, and as the research evolved, it was found that services marketing and relationship marketing support the customer engagement construct. The domain of the study is provided in Chapters 2, 3 and 4 of the study. (Step 1 is explained in more detail in Chapter 5.)

Figure 1-1: Churchill's procedure for developing a multi-item scale



Source: Adapted from Churchill (1979:66) and Taljaard (2013:106).

- **Step 2: Generate sample of items**

The next stage involved:

- generating items from literature and an experience survey to measure the extent of customer engagement; and
- the development of a self-administered questionnaire to be fielded.

Based on the outcomes of the experience survey, 53 items were removed from the item list. All the items that were removed is presented in Appendix E. The remaining 32 items were incorporated into a multi-item Likert-type scale, and an adapted self-administered

questionnaire was developed for data collection. Lastly, the self-administered questionnaire was tested during a pilot study with 30 respondents, and the questions were further refined. (Step 2 is discussed in more detail in section 5.4.1.2.)

- **Step 3: Collect data**

Once the questionnaire had been finalised, data collection took place. Data was collected for the first data collection step. A total of 231 usable questionnaires were collected. The data collection took place during September 2015. Data was also collected based on specific quotas based on gender, age and race – pertaining to the census of the total population of Johannesburg (StatsSA, 2011). (Step 3 is discussed in more detail in sections 5.3.4 and 6.3.)

- **Step 4: Purify the scale**

Based upon the data collected, the multi-item scale was subjected to reliability analysis and an exploratory factor analysis in order to purify the multi-item scale and to assess model fit using SPSS version 23 and AMOS statistical software. Necessary revisions were undertaken by repeating steps 1 to 4, before proceeding to steps 5 to 8. (Step 4 is discussed in more detail in sections 5.4.1.4 and 6.4.)

- **Step 5: Collect data**

As soon as the items included in the multi-item scale had been revised, data was once again collected with the aid of a self-administered questionnaire containing the revised multi-item scale. A total of 152 usable questionnaires were collected. Data was collected based on specific quotas based on gender, age and race. Data was collected from March to May 2016. (Step 5 and related results are further explained in sections 5.4.1.5 and 6.5.)

- **Step 6: Assess reliability**

Subsequently, the data obtained from the multi-item scale was subjected to a final reliability analysis to verify the reliability of the overall customer engagement measure (Churchill, 1979:70). Cronbach alpha coefficient was, therefore, determined to assess internal consistency reliability (Churchill, 1979:68), and low inter-item correlation items were removed to refine the scale. (Step 6 is explained in more detail in sections 5.4.1.6 and 6.6).

- **Step 7: Assess validity**

To determine the validity of the multi-item scale to measure customer engagement, content, criterion and discriminant validity were determined. In addition, nomological validity of the

customer engagement scale was also determined. (Step 7 is explained in more detail in sections 5.3.5.3 and 6.7.)

1.6.2.2 Initial questionnaire

A self-administered questionnaire was used to collect data for the purposes of developing a multi-item scale to measure the extent of customer engagement in the South African retail banking industry. Careful attention was paid to the wording, grammar, sentence structure, appearance and design in order to reduce the non-sampling error. The questions and items were phrased in a simple and direct manner and double-barrelled questions and items were avoided in order to increase understanding (Zikmund & Babin, 2007:464). Careful attention was also paid to ensure content validity (Pallant, 2005:7). The initial self-administered questionnaire (see Appendix A) comprised the following sections:

- **Retail banking patronage habits:** This section collected information of respondents' retail bank patronage habits in order to provide insight into respondents' behaviours towards their retail bank. Questions from this section were closed-ended (with predetermined response choices).
- **Customer engagement:** This section comprised all the items measuring the extent of customer engagement within the context of the study. These items were measured on an unlabelled 7-point Likert-type scale, where 1 was 'strongly disagree' and 7 was 'strongly agree'.
- **Demographic:** The purpose of this section was to obtain demographic information regarding respondents. Except for one open-ended question, questions in this section were closed-ended (with predetermined response choices).

Items were generated by means of reviewing existing literature on customer engagement (these items are presented in Chapter 5 [see Table 5-13]). These items were firstly reviewed by the candidate and supervisor to:

- ensure that the wording was comprehensible;
- limit the chances of items overlapping; and
- exclude potential double-barrelled items.

During the next step of the item generation process, an experience survey was conducted amongst a sample of experts (including academics specialising in the fields of consumer behaviour, services marketing and relationship marketing) selected through judgement by the candidate. The experts were asked to review the items generated to measure the extent of

customer engagement within the context of the study. Based upon their responses, items were adapted, removed or added.

1.6.2.3 Target population and sample

The target population under consideration for this study comprised adults (20 to 70 years old), living in the Johannesburg metropolitan area who had been making use of the retail banking services of one of the main retail banks that dominate the South African market (Absa, Capitec Bank, FNB, Nedbank and Standard Bank) for two years or longer.

Because this study aimed to develop a multi-item scale to measure customer engagement, it was decided to define the study population in such a way as to ensure that prospective respondents had been customers of one of the major South African retail banks for at least two years, as they already had a relationship with the bank for some time and may already have engaged with the bank on one of the five levels of customer engagement described in section 4.7 of this study.

1.6.2.4 Sampling method

As it is not always possible to include the entire population in a study, a sample that represents the population is drawn, as this approach is less cost and less time-consuming.

Since a sampling frame was not readily available for this research, and the scale development process did not have a representative sample as prerequisite, a non-probability convenience sampling method was used for this study. In addition, quota sampling (based on gender, age and race) was implemented to ensure representativeness of the study population.

1.6.2.5 Sample size

When developing a multi-item scale, the sample size depends on the number of constructs identified, and as discussed by Hair *et al.* (1998), a general rule is that five respondents are needed per item in the scale.

For the first purification step of the questionnaire, the multi-item scale was projected to contain around 32 items and therefore a sample size of 160 respondents was recommended. However, to ensure the collection of sufficient usable questionnaires as well as to comply with the specific quotas set for the study, the researcher aimed to collect 240 questionnaires, but a total of 231 viable questionnaires were collected. Tables 1-3 and 1-4 provide insight into the sampling plan and sampling quotas (based upon gender, age and race) that were used during the first data collection step of the scale development procedure.

Table 1-3: Sampling plan

Population	Adults (20 to 70 years old), living in the Johannesburg metropolitan area, who are customers of Absa, Capitec Bank, FNB, Nedbank and Standard Bank.	
Sampling frame	No sampling frame was available.	
Sampling method	Non-probability, convenience and quota sampling.	
Sampling units and elements	Customers who have made use of the banking services of one or more of the major South African retail banks for the past two or more years.	
Sample size	First purification phase	160 respondents required (231 usable questionnaires collected)
	Second purification phase	75 respondents required (152 usable questionnaires collected)

Table 1-4: Sampling quotas for the first data collection phase

Race	Gender	Generation X (20 – 37 years)	Generation Y (38 – 49 years)	Baby boomers (50 – 70 years)	Total
Black	Female	10	10	10	30
	Male	10	10	10	30
Coloured	Female	10	10	10	30
	Male	10	10	10	30
Indian	Female	10	10	10	30
	Male	10	10	10	30
White	Female	10	10	10	30
	Male	10	10	10	30
Total		80	80	80	240

During the second data collection phase, the questionnaire comprised 15 items and therefore a sample size of 75 respondents was recommended. The researcher aimed to attain 168 questionnaires to safeguard sufficient usable questionnaires. Table 1-5 presents the sampling quotas for the second data collection phase.

Table 1-5: Sampling quotas for the second data collection phase

Race	Gender	Generation X (20 – 37 years)	Generation Y (38 – 49 years)	Baby boomers (50 – 70 years)	Total
Black	Female	7	7	7	21
	Male	7	7	7	21
Coloured	Female	7	7	7	21
	Male	7	7	7	21
Indian	Female	7	7	7	21
	Male	7	7	7	21
White	Female	7	7	7	21
	Male	7	7	7	21
Total		56	56	56	168

1.6.2.6 Fieldwork

Trained fieldworkers (who were honours students at the North-West University [NWU], with experience in fieldwork and marketing research, and who were taking Marketing Research as a module as part of their honours degree) were responsible for identifying respondents who met the requirements to participate in the study, based upon the screening question in the questionnaire and their willingness to complete the questionnaire. Each fieldworker was assigned a specific quota based on gender, age and race within the Johannesburg metropolitan area.

1.6.2.7 Data analysis

Data was prepared and analysed from the first and second data collection phases of Churchill's (1979) procedure for scale development. The SPSS version 23 statistical program was used to capture and analyse the data. The data analysis process comprised of the assessment of reliability and validity of the scale to measure customer engagement, as well as the distribution of the results and descriptive results (frequencies and percentages). Furthermore, structural equation modelling (SEM) was done to determine the nomological structure of customer engagement. The following statistical techniques were used in the study:

- t-tests for independent groups;
- one-way ANOVAs for two or more independent groups; and
- structural equation modelling (SEM) to measure the nomological validity of the scale for customer engagement.

A number of findings were developed from the results of the statistical analyses that addressed the secondary objectives (as provided in section 1.4.2). Conclusions and recommendations were formulated in order to address each secondary objective, as reported in Chapter 7.

1.7 CONTRIBUTION OF THE STUDY

The study contributed in the following ways:

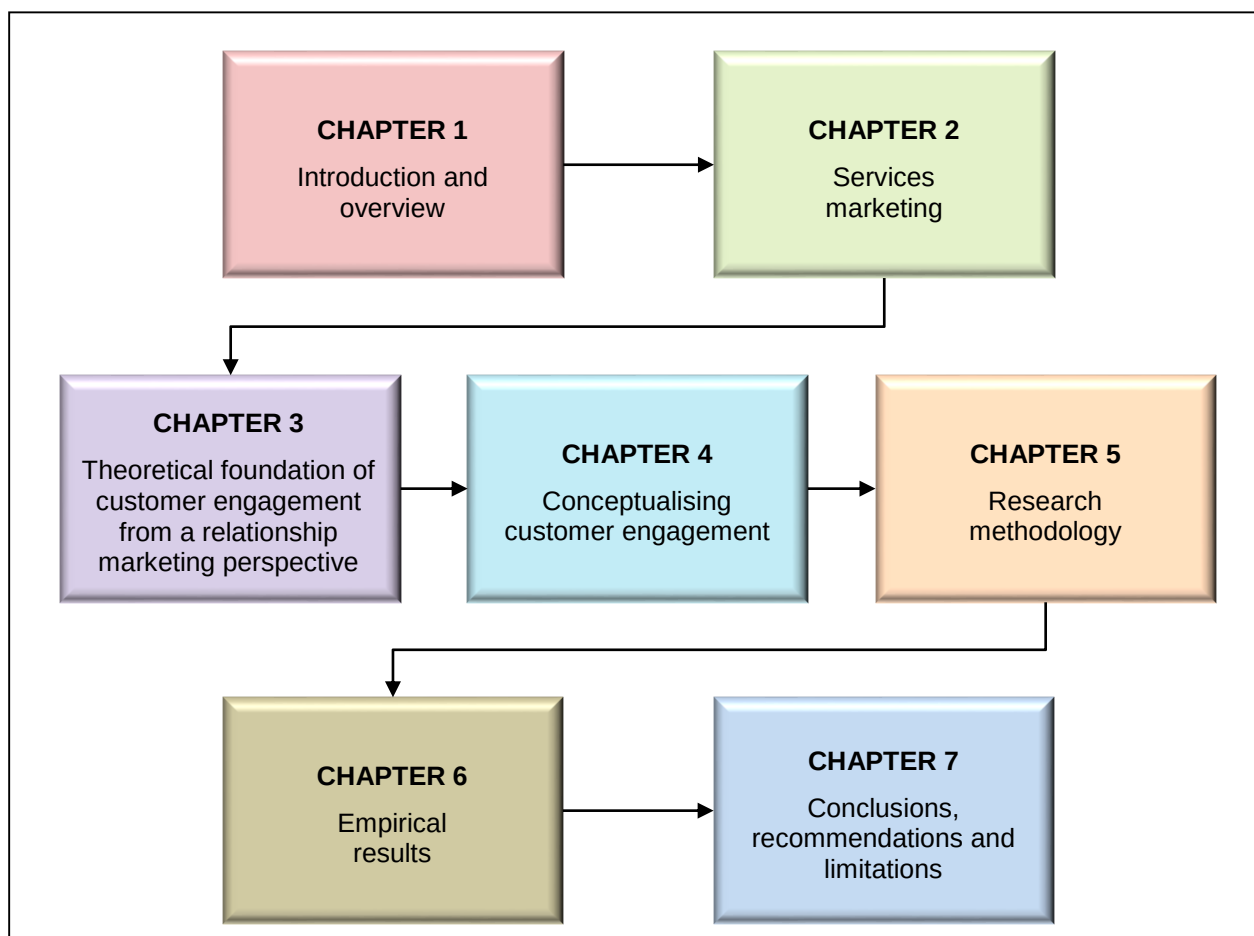
- The study identified and examined a number of challenges in the South African retail banking industry that banks need to take into consideration.
- An in-depth investigation into the concept of customer engagement, as well as the theoretical foundation was performed with the aim of operationalising the concept.
- The study furthermore contributed a valid and reliable multi-item scale to measure the extent of customer engagement in the South African retail banking industry.
- Consequently, the study also contributed to the existing marketing literature as a result of the in-depth theoretical investigation.

- The study also benefits the South African banking industry by enabling them to measure the concept of customer engagement.
- Additionally, a model was suggested (from the nomological validity assessment) that could be used as a way to establish customer loyalty in the retail banking industry by means of implementing the developed customer engagement scale.
- Furthermore, the multi-item scale will guide retail banks to improve customer engagement so that they might enjoy the benefits of engaged customers and attain a competitive advantage in this changing industry.
- Lastly, the multi-item scale aids marketing scholars who want to continue to build on this scale in order to improve the awareness of the extent of customer engagement.

1.8 CHAPTER OUTLINE

Figure 1-2 illustrates the chapter outline of the study, followed by a brief description of what each chapter entails.

Figure 1-2: Chapter outline



- **Chapter 1: Introduction and overview**

The first chapter served as an introduction and overview of the research problem, and to explain how the research problem will be addressed throughout the rest of the chapters. The chapter commenced with background information about the study, an overview of the South African retail banking industry and the research problem. The research objectives were formulated to address the research problem, and an overview of the research methodology as well as the scale development procedure to be implemented throughout the study was provided.

- **Chapter 2: Services marketing**

Chapter 2 presents comprehensive theoretical insights into the nature of marketing – specifically services marketing. The chapter commences with an explanation of the marketing construct, followed by a discussion on the marketing of services, namely a decision of the fundamental differences between goods and services, service characteristics and elements, as well as a description of the various benefits of providing better services. The chapter also includes a section on consumer behaviour with specific reference to how service purchase decisions are made and the use of successful service strategies, such as customer satisfaction, service quality, customer loyalty and retention. The chapter concludes with a description of the retail banking industry of South Africa.

- **Chapter 3: Theoretical foundation of customer engagement**

Chapter 3 focuses on investigating and revealing the theoretical foundation of customer engagement as well as the evolution of the customer engagement construct from a relationship marketing perspective. This chapter commences with a discussion of the evolution of marketing over the last couple of years and how this change in marketing led to a customer-focused approach. The chapter further presents the nature of relationship marketing and the various benefits of having a customer-focused approach. Strong customer relationships are also discussed.

- **Chapter 4: Conceptualising customer engagement**

This chapter uncovers the activities underlying customer engagement, and subsequently provides a detailed discussion of each of these activities. The importance of exploring customer engagement is also presented as well as how customer engagement differs from similar marketing constructs. Furthermore, the customer engagement cycle is presented and the chapter concludes with a discussion of the various antecedents and consequences of customer engagement.

- **Chapter 5: Research methodology**

Chapter 5 provides a discussion of the empirical research methodology followed in this study, including a discussion on marketing research, followed by a comprehensive description of Churchill's (1979) procedure for scale development. The research process followed in the study is explained with reference to each step of the research process. Lastly, the chapter discusses the reliability and validity of the measure.

- **Chapter 6: Empirical results**

The empirical results and subsequent findings are presented systematically in Chapter 6. The chapter commences with a discussion of the phases of data purification and statistical analysis utilised, and reliability and validity are also assessed. The chapter is presented in terms of the various steps of Churchill's (1979) procedure of the scale development process. Furthermore, the nomological structure of customer engagement is also discussed and presented.

- **Chapter 7: Conclusions, recommendations and limitations**

The final chapter provides an overview of the results obtained during the empirical study and conclusions drawn from the findings with regard to the customer engagement scale. A multi-item scale for the extent of customer engagement is proposed for the South African retail banking industry.

1.9 CONCLUSION

This chapter served as an introduction to and overview of the focus of the study, by providing relevant background information to the study as well as an overview of the South African retail banking industry. The chapter further presented the research problem, research objectives and the research methodology that was followed in the study. The projected contribution of the study as well as the chapter outline for the study was also presented. The following chapters provide a detailed literature review on services marketing and the retail banking industry, and the evolution of customer engagement.

CHAPTER 2

SERVICES MARKETING

2.1 INTRODUCTION

The aim of this chapter is to provide theoretical insight into the nature of marketing and specifically services marketing. This chapter commences with an explanation of the marketing context, how marketing is defined, as well as the various elements of marketing. This is followed by a discussion on the marketing of services, fundamental differences between goods and services, service characteristics and elements, as well as a description of the benefits of providing better service. Thereafter, consumer behaviour is explained with specific reference to how decisions are made to purchase services. This is followed by the implementation of successful service strategies, specifically customer satisfaction, service quality, customer loyalty and retention. The chapter concludes with a description of the retail banking industry of South Africa.

2.2 MARKETING CONTEXT

Marketing is described as a philosophy, an attitude, a perspective, or a management orientation that centres on the development of customer satisfaction by means of planning, pricing, promotion and the distribution of ideas, goods and services to create interactions and achieve the objectives of the business (Lamb *et al.*, 2013:3). Hult *et al.* (2012:4) add that marketing is designed to facilitate satisfying exchange relationships with customers and to develop as well as to preserve positive relationships with the business stakeholders in a dynamic environment through the process of creating, distributing, promoting and pricing goods, services or ideas.

The context of marketing is further extended by Verhage (2014:10) who explicates that marketing includes all activities that can create value and systematically lead to increased sales or desired responses such as establishing a good reputation and on-going relationships with customers with the intention that all stakeholders realise their objectives. In order to understand marketing, it is essential to understand how marketing is defined. The following section therefore provides numerous definitions of marketing.

2.2.1 Marketing defined

The foundation of marketing can be observed through various theories, including disciplines such as business management, economics, psychology, sociology, mathematics and anthropology (Boone & Kurtz, 2014:5; Kurtz, 2012:5; Shiffman & Kanuk, 2010:36). The broad scope, activities

and notions associated with marketing often make this a difficult concept to define (Boone & Kurtz, 2014:6). The following marketing definitions were adapted from existing marketing literature:

- The most agreed upon definition of marketing remains the definition by the American Marketing Association (2007): “Marketing is an activity, set of institutions, and processes for creating, communicating, delivering and exchanging offerings which have value for all customers, clients, partners and the society.”
- According to Dibb *et al.* (2012:8), marketing involves individual and business activities that facilitate and advance satisfying exchange relationships in a vibrant environment by means of the creation, distribution, promotion and pricing of goods and/or services as well as ideas.
- Marketing is also defined by Cant and Van Heerden (2013:3) as a process where a business aims to meet its customers’ needs and wants, as well as to strive to create, develop and nurture relationships with its customers in an ever-changing environment, by offering the right product and/or service at the right time on the right place and by applying the right marketing communication channels.
- Iacobucci (2013:3) defines marketing simply as an exchange relationship between the business and the customer, where the customer seeks benefits from the business with the willingness to pay for such benefits, and the business offers benefits to customers (in addition to seeking profit).
- Babin and Harris (2014:7) define marketing as a multitude of value-generating business activities (such as production, promotion, pricing, distribution and retailing of goods and/or services, ideas and experiences) which facilitate exchanges and provide value to customers and other shareholders.
- Boone and Kurtz (2014:7) define marketing as a business function that comprises a set of procedures for creating, communicating and exchanging offerings and delivering value to customers, as well as managing customer relationships that benefit the business and its shareholders. Shareholders are customers, clients, partners and society at large (Lamb *et al.*, 2013:3).
- Marketing is defined by Perreault *et al.* (2014:7) as the implementation of activities with the aim to realise the goals of the business, by anticipating the needs of customers and guiding the flow of need-satisfying goods and/or services from the business to the customer.

Based on the above definitions, marketing was summarised for this particular study as:

Marketing is a business function that is viewed as an exchange relationship between the business and the customer that includes a set of institutions, processes, procedures and activities aimed at satisfying customer needs and wants as well as

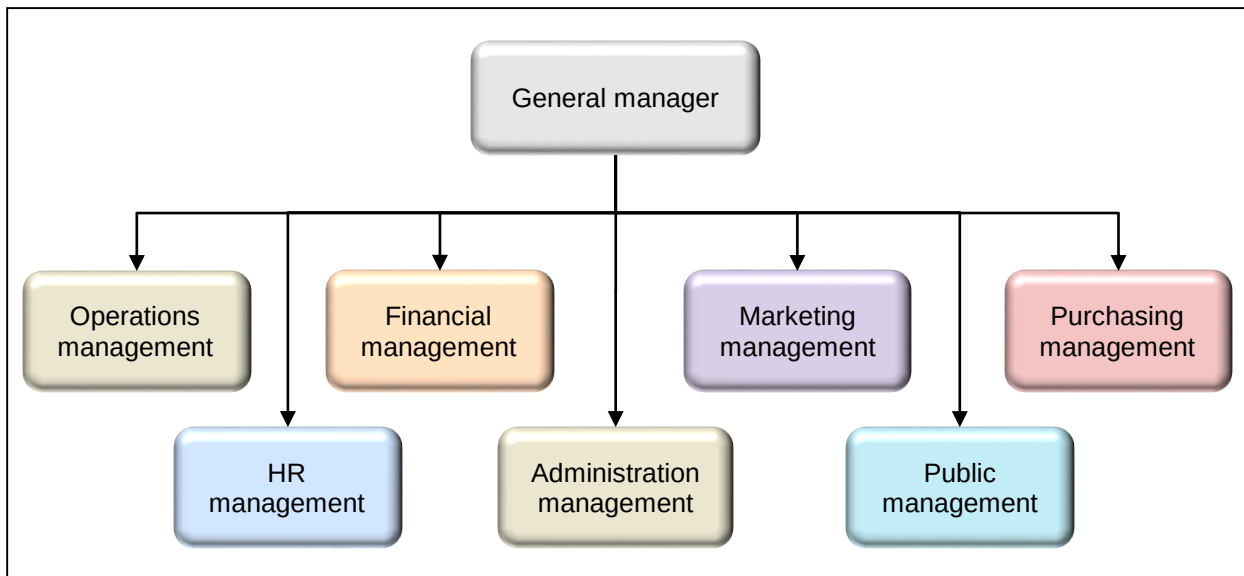
creating, developing and nurturing mutually beneficial relationships with all shareholders (i.e. customers, clients, partners and the society) in an ever-changing environment by offering value to customers by means of providing the right product and/or service at the right time at the right place by means of the right marketing communication channels.

From the above definition of marketing, it is noticeable that various marketing definition elements can be discerned. These elements – namely marketing as a business function, marketing as an exchange relationship, business shareholders, and environmental changes – are discussed accordingly.

2.2.1.1 Marketing as a business function

A number of functional areas are present in businesses as indicated in Figure 2-1, such as financial management, human resource (HR) management, operations management, purchasing and logistics management, and information technology. Depending on the kind of business these departments can differ; however, the marketing function is considered to be the key function due to its effect on profit and its closeness to the customer (Cant & Van Heerden, 2013:22; Strydom, 2011:11).

Figure 2-1: Business structure



Source: Adopted from Cant and Van Heerden (2013:22).

According to McDaniel *et al.* (2013:3), marketing is too important to be left only to the marketing department, as marketing makes use of communication, distribution and pricing strategies to deliver customers and shareholders with products, services, ideas, values and benefits that they need when and where they may require them. Furthermore, marketing is part of every employee's

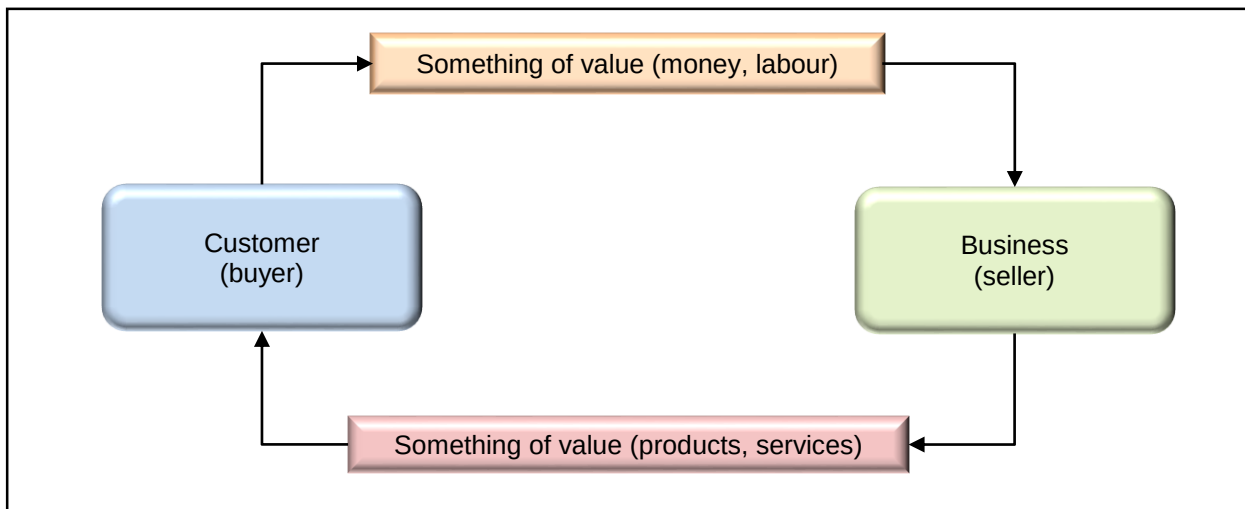
job in the business, as each employee needs to be able to communicate with specialists in other areas and is consequently viewed as an integrated business function (Lamb *et al.*, 2013:13).

2.2.1.2 Marketing as an exchange relationship

A desired outcome of marketing is also a mutually beneficial exchange relationship where customers are willing to give something up in order to obtain something they would rather have, as illustrated in Figure 2-2 (Armstrong *et al.*, 2012:11). However, this exchange does not always require money, as bartering can also occur (McDaniel *et al.*, 2013:3). For an exchange to take place, the following conditions must be satisfied:

- there ought to be at least two parties involved (Lamb *et al.*, 2015:10);
- each party must have something that is of value to the other (McDaniel *et al.*, 2013:3);
- each party must be capable of communication and delivery (Strydom, 2011:11);
- each party must be free to accept or reject the exchange offer (Lamb *et al.*, 2015:10); and
- each party must believe that it is an appropriate or desirable deal with the other party (McDaniel *et al.*, 2013:3).

Figure 2-2: Exchange between the business and the customer



Source: Adopted from Strydom (2011:6).

2.2.1.3 Business shareholders

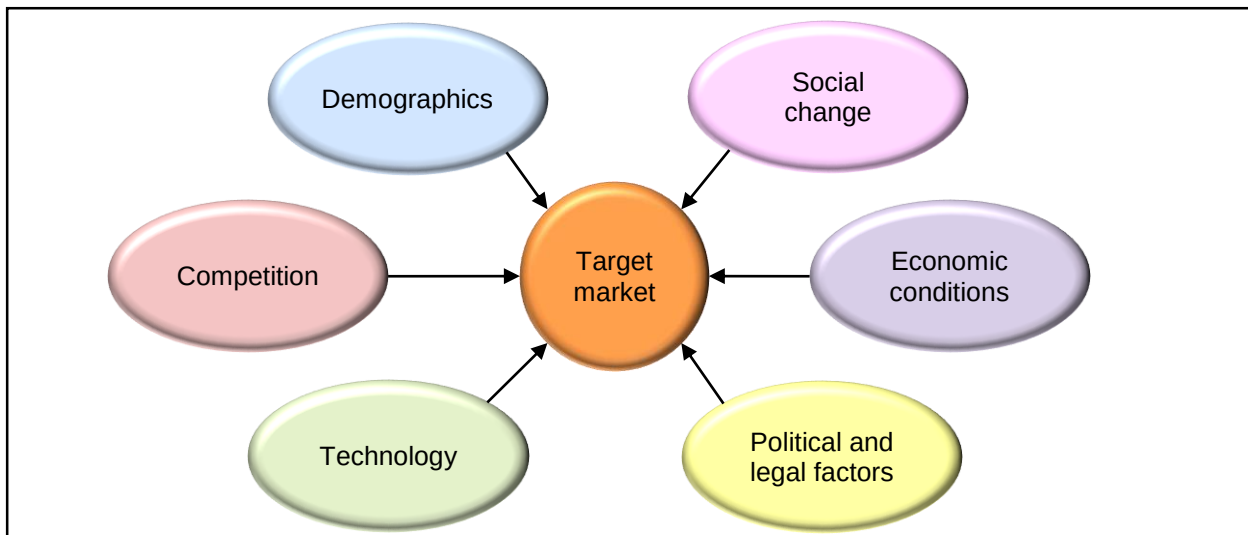
Marketing also demands an understanding that the business has various related shareholders comprising customers, clients, partners, business employees, business suppliers, investors as well as society in general (Lamb *et al.*, 2013:3; McDaniel *et al.*, 2013:3).

2.2.1.4 Environmental changes

The one constant on which businesses can depend is the continually changing environment in which businesses work and compete (McDaniel *et al.*, 2014:87; Tait & Tait, 2015:73). Managers cannot control or change the elements in the external marketing environment that persistently mould and reshape their target market, and for this reason, it is imperative for businesses to comprehend and properly respond to this changing environment, so as to stay competitive and ensure business survival (Lamb *et al.*, 2015:45; Tait & Tait, 2015:73;).

According to Lamb *et al.* (2015:43) and McDaniel *et al.* (2014:90), external environmental changes that can influence a business include changes in social change, demographics, competition, technology, political and legal factors, and economic conditions (illustrated in Figure 2-3). These factors are briefly discussed accordingly.

Figure 2-3: Uncontrollable changes in the external environment



Source: Adopted from McDaniel *et al.* (2014:90).

(i) Social change

Social change is conceivably the most challenging external variable for marketing managers to predict, influence or incorporate in their marketing plans, as these factors comprise the changes in customer attitudes, values and lifestyles, which affect which products and services they purchase along with the success of promotions, besides how, where and when customers expect to purchase products (Lamb *et al.*, 2015:49;). One of the greatest fluctuations in customers' social change is that customers are becoming more demanding, inquisitive and discriminating as they are no longer willing to tolerate products that break down and insist on high-quality goods (McDaniel *et al.*, 2014:91).

(ii) Demographics

Another external variable which is very important to businesses is demography, which refers to the determination of customers' vital statistics such as age, race, ethnicity and location (Armstrong *et al.*, 2012:79; McDaniel *et al.*, 2014:95; Strydom, 2011:17). This is an important variable, which the business needs to keep in mind, as demographic characteristics are strongly associated with customer buying behaviour in the market place (Lamb *et al.*, 2015:55).

(iii) Competition

Competition is an element in the external environment that can have a significant influence on the marketing of a business. The competitive environment comprises the number of competitors, the relative size of competitors and the percentage of interdependence within an industry, over which businesses has little control (McDaniel *et al.*, 2014:90). As a result, competition is an important change in the external environment, which a service business needs to remember.

(iv) Technology

As new technology progresses, new tools, methods and techniques become accessible for use in management processes and production (Strydom, 2011:37). According to Armstrong *et al.* (2012:91) and McDaniel *et al.* (2014:113), the changes in technology also influence the marketing of businesses, as innovation and research advances can be a great opportunity or threat to the survival of businesses.

The technological environment affects marketing activities by introducing new or improved products and services, improving production processes as well as refining the method in which markets are identified and serviced (Strydom, 2011:37; Tait & Tait, 2015:82).

(v) Political and legal factors

Every aspect of the marketing mix (explained in more detail in section 2.8.4) is subject to laws and restrictions, and it is very important for marketing managers to understand and conform to laws and regulations, as failing to comply could have major consequences for the business (Lamb *et al.*, 2015:56; Strydom, 2011:38). Marketers need to contemplate the political stability and changes in government, as these factors could have an effect on business activities in the event of instability or government transformation (Armstrong *et al.*, 2012:93; Strydom, 2011:17). Political and legal factors that businesses need to conform to, also include federal legislation, state laws, and the customer's privacy (Tait & Tait, 2015:83).

(vi) Economic conditions

Lastly, it is important that managers understand and react to the economic environment, including understanding the customer's income (Armstrong *et al.*, 2012:87; Tait & Tait, 2015:80). Furthermore, the state of a country's economy is critical to any business as it affects both supply and demand for goods and services, which are influenced by economic growth, policy and interest rates, fiscal policy, inflation as well as currency exchange rates (McDaniel *et al.*, 2014:109; Strydom, 2011:17).

It is also important to understand that marketing is different for services compared to the marketing of goods (Hoffman & Bateson, 2017:22). Over time, businesses have realised that the marketing and management of services present specific issues and challenges that are not encountered through the marketing and management of goods (Wilson *et al.*, 2012:11).

Since the 1970s, services marketing developed into a major sub-discipline of marketing, which continues to evolve and is viewed as the central economic activity in developed countries (Gummesson, 2007:2). A growing demand for services exists across the world, and South Africa is experiencing growing importance and dominance in the service sector as evident from the contributions to the GDP (Du Plessis, 2014:6). A close correlation appears to exist between the level of economic development and the strength of the service sector (Palmer, 2011:4).

Services have experienced radical growth as described by George (2015:247) who states that services accounted for nearly 73% of the GDP of South Africa and accentuated that South Africa's service industry is still growing. This is supported by Lamb *et al.* (2015:526) who specify that the services sector in South Africa experienced a 1% progression of GDP every year for the period 1986 to 2014. These authors further emphasise that the relative size of the services sector (as a percentage of GDP) has developed from nearly 50% to 75% during this period.

2.3 SERVICES AND SERVICES MARKETING

In order to understand the marketing of services fully, it is important to define services and services marketing. The following services definitions were adapted from existing marketing literature:

- Wilson *et al.* (2012:5) explain that services include all intangible economic activities that provide value in the form of convenience, amusement, timeliness, comfort or health and are generally consumed at the time of production.

- Lovelock and Wirtz (2011:37) further describe services as the economic activities that are offered by one party to another. These economic activities are time-based and bring about the desired results to recipients or other assets for which purchasers have responsibility, and from which customers expect value but do not necessarily take ownership of any physical elements involved, in exchange for money, time and/or effort.
- Services are defined as the production of an essentially intangible element (individually or as a substantial component of a tangible product), which satisfies a recognised need by means of an exchange (Palmer, 2011:2).
- Services also include all economic activities whose output is not a physical good and is largely consumed at the time of production, which provide value to consumers, including convenience, enjoyment, timelessness, comfort or health, and are fundamentally intangible concerns of the purchaser (Wilson *et al.*, 2011:5).
- Chitty *et al.* (2012:6) furthermore define services as intangible acts, performances or experiences that provide value to the customer, and which are considered an economic process that provides time, place and form value in solving a customer's problems without transferring ownership.
- According to Boshoff (2014:2), services can be viewed as any act or performance that a business can offer customers that are fundamentally intangible and does not result in the ownership of anything.
- Services are defined by Hoffman and Bateson (2017:5) as deeds, efforts and performances.

From the above definitions, services can be defined as intangible, perishable and identifiable economic acts, performances and experiences that provide time, place and form value to customers including convenience, amusement, timeliness, comfort or health by presenting solutions to problems during which ownership is not transferred.

Derived from the definitions on services, *services marketing* is subsequently defined as:

- Marketing activities intended to motivate sales of intangible services by facilitating the exchange process between service providers and their customers (Verhage, 2014:728).
- An act or performance that is principally intangible and which does not result in ownership of anything and which one party offers to another where the production may not be tied to a physical product (Jordaan & Samuels, 2015:10).

It is therefore possible to define services marketing as a management orientation or philosophy that centres on customer satisfaction with the aim of creating value and on-going positive relationships with customers in a service environment through the

process of planning, creating, distributing, promoting and pricing of services that are intangible, perishable and identifiable economic acts, performances and experiences, which present time, place and form value to customers including convenience, amusement, timeliness or comfort, by presenting solutions to problems that can systematically increase sales or other desired responses, including the establishment of a good reputation, in order to achieve the objectives of all stakeholders.

In order to improve the understanding of services, classification schemes are often used as a way of grouping services according to shared features (Jordaan & Samuels, 2015:13). The next section provides a demarcation of the classification of services.

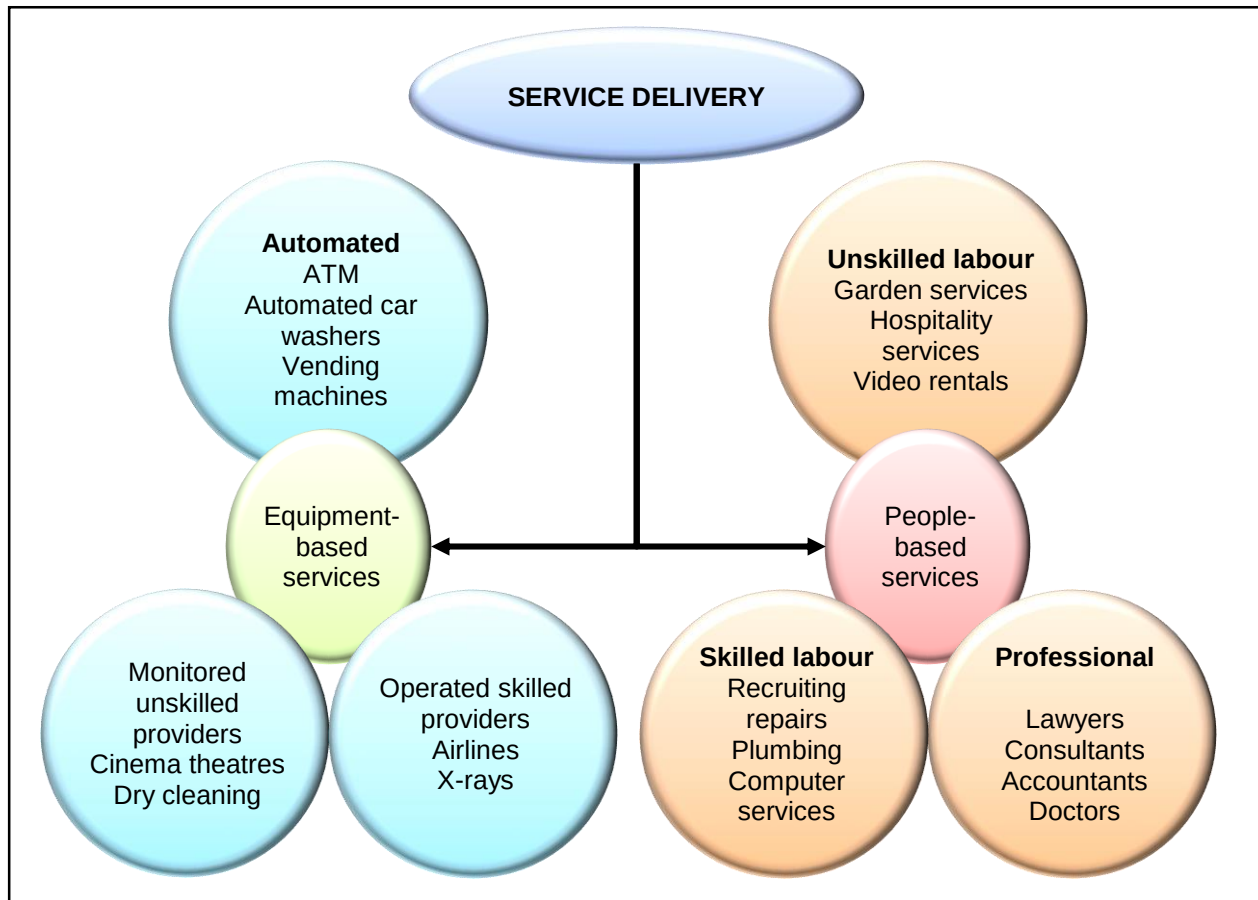
2.4 CLASSIFICATION OF SERVICES

Services can be categorised in a variety of ways, but one method is to cluster services into equipment-based services on the one hand and people-based services on the other. This illustrates the involvement as well as type of skills of operators participating in the service delivery process (Boshoff, 2014:9; Jordaan & Samuels, 2015:13). The most common scheme that classifies services according to the means of service delivery, the degree of the customer's presence during the service delivery, and the basic use to the service is subsequently discussed.

2.4.1 Means of delivery

The 'means of delivery' classification level, groups services according to two common types of services, equipment-based services or people-based services.

- *Equipment-based services* refers to automated services (such as car washes and vending machines), unskilled operators (such as taxi services and cinemas) and skilled operators (such as airline pilots) (Boshoff, 2014:9). The quality of the equipment is essential in shaping the quality of the delivered service (Jordaan & Samuels, 2015:13). Equipment-based services are largely programmed to perform consistently (Palmer, 2011:19).
- *People-based services* refers to unskilled labour services (such as gardening services and security guards), skilled labour (such as electricians and plumbers), and professionals (such as bankers, accountants, medical doctors and architects) (Boshoff, 2014:9). In the case of people-based services, the training, knowledge and motivation of the staff determine the quality of the service (Jordaan & Samuels, 2015:13). This allows for better customisation of the service to meet the individual needs of customers, especially in the retail banking industry (Palmer, 2011:19). Figure 2-4 illustrates the classification of services based on the means of service delivery.

Figure 2-4: Classification of services (means of delivery)

Source: Adopted from Jordaan and Samuels (2015:14).

2.4.2 Degree of dependence on customer presence

Some services depend on the presence of the customer during the service delivery process while others do not require the customer to be present (Palmer, 2011:18). During service delivery where the customer is present, it is important for the business to ensure a satisfying service environment by choosing the most suitable music, decor and lighting, as customers will use these tangible cues to evaluate the quality of the service (Jordaan & Samuels, 2015:15). In the retail banking context the branch and website should be carefully considered as customers will use these tangible cues to further evaluate the quality of the service. Examples of services where the customer needs to be present during the service delivery are medical surgery, haircuts and dentistry. On the other hand, when the service delivery can take place without the customer's presence, the service provider can organise the service practices and procedures to best suit the requirements of its employees and operational processes (Jordaan & Samuels, 2015:15; Palmer, 2011:18). An example of a service where the customer does not need to be present for the service delivery is car repairs at a dealership.

2.4.3 Personal versus business use

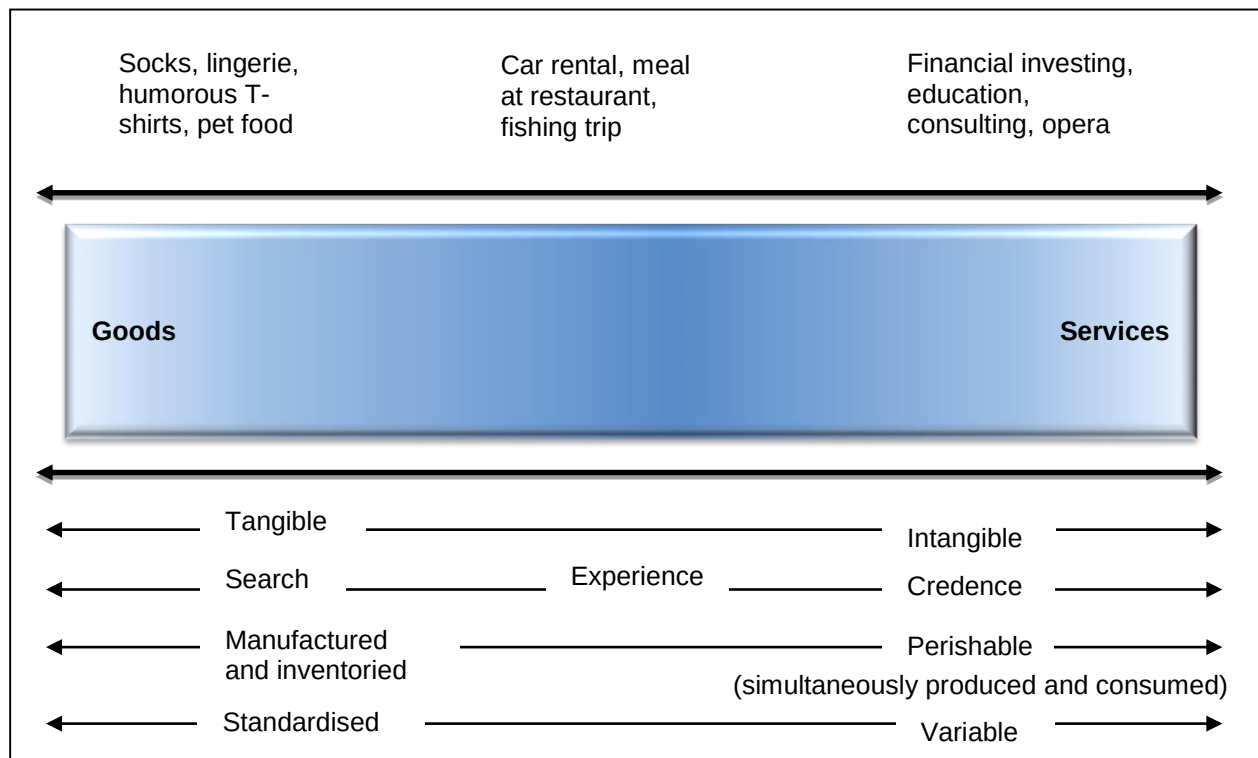
This type of classification of services is centred on the principle that services differ as to whether they meet personal needs for the customer's own enjoyment or benefit, or business needs bought by businesses in order to produce something else of economic benefit (Palmer, 2011:17).

The abovementioned classification principles are central to improve the understanding of service offerings and aid in understanding the unique demands of marketing services (Jordaan & Samuels, 2015:16). Another unique approach to services marketing is that services need to be marketed and managed differently from goods. The next section focuses on explaining the distinguishing features and differences between goods and services.

2.5 DISTINGUISHING FEATURES OF SERVICES

When exploring the differences between goods and services, it is firstly necessary to explain what goods and services entail. In marketing literature, goods and services are always explained on a continuum, as illustrated in Figure 2-5. According to Boone and Kurtz (2014:381), pure goods and pure services exist on a continuum where purchases also occur that include both a tangible as well as an intangible element.

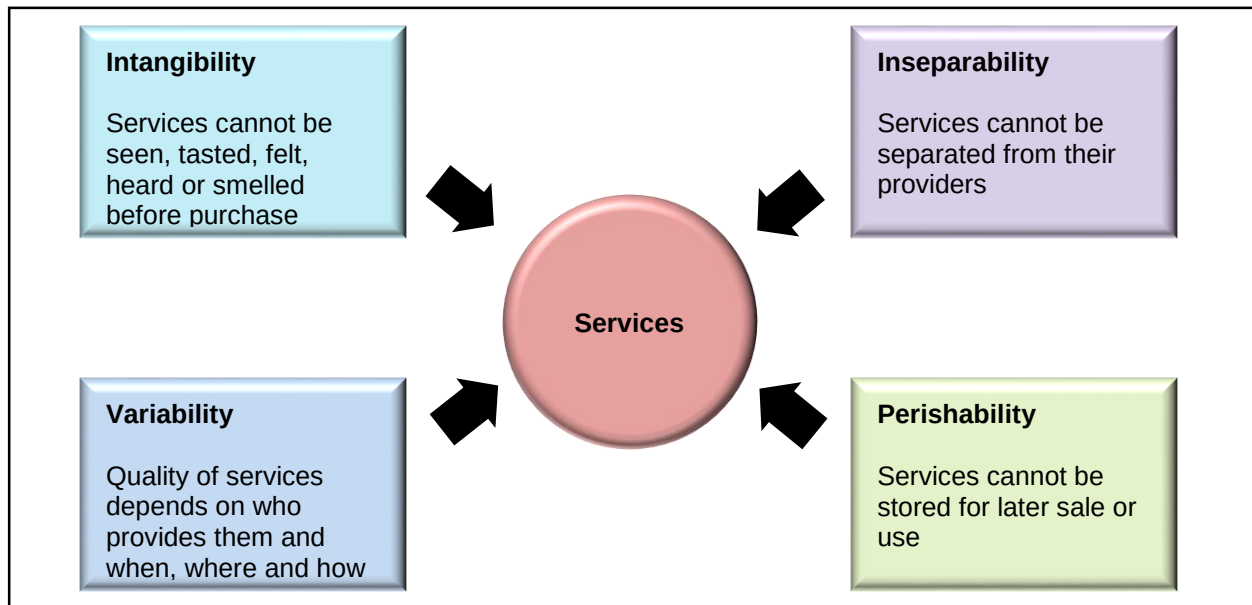
Figure 2-5: Continuum of goods-to-service



Source: Adopted from Iacobucci (2015:91).

Boshoff (2014:5) and Jordaan and Samuels (2015:16) identify typical distinguishing characteristics between the marketing of goods and the marketing of services, namely intangibility, inseparability, heterogeneity, perishability, and lack of ownership. This is illustrated in Figures 2-5 and 2-6.

Figure 2-6: Service characteristics



Source: Adopted from George (2015:248).

However, Boone and Kurtz (2014:489) and Boshoff (2014:9) identify a fifth distinguishing characteristic between the marketing of goods and the marketing of services, namely a lack of ownership. This characteristic will also be discussed in the next section.

Due to the various differences between goods and services, marketing management tasks for services tend to differ from those in the manufacturing sector in a number of important ways (Lovelock *et al.*, 2009:20). These marketing management implications will also be discussed during each of the following sections, namely intangibility (see 2.5.1), inseparability (see 2.5.2), heterogeneity (variability) (see 2.5.3), perishability (see 2.5.4) and lack of ownership (see 2.5.5).

2.5.1 Intangibility

Intangibility is viewed as the most prominent distinction between goods and services (Lovelock & Gummesson, 2004:25). According to Boshoff (2014:3), services are predominantly intangible compared to products that can be tasted, felt, smelled, stored or seen prior to purchasing. The intangible nature of services, however, presents problems for customers, as they are forced to rely on the reputation of the service provider as a way to evaluate the service (Fitzsimmons & Fitzsimmons, 2008:18). The intangibility of services also pose unique challenges for the service

provider, such as the advertising of a service that cannot be seen, the pricing of a service that does not have the cost of goods associated with the sale, as well as encouraging customers to try the service without being able to give away free samples (Boshoff, 2014:6). These challenges are further supported by Lamb *et al.* (2015:528) who note that intangibility makes it problematic for marketers to communicate the benefits of an untouchable service. However, according to George (2015:248), customer uncertainty can be reduced when tangible cues of service quality are perceived and conclusions drawn from the place, people, price, equipment and communications. Several marketing implications stem from the nature of an intangible product:

- In a service context, it is difficult to patent the offering, however not impossible. According to Boshoff (2014:7) and Hoffman *et al.* (2009:26), services cannot be patented but the tangible machinery involved in the production of the services can, and as a result, it is very difficult for a service business to achieve and retain a competitive advantage for their service offering.
- Most services cannot be demonstrated to potential customers prior to the purchase and marketers of services can only use tangible cues with which customers can relate or identify in order to assess the quality of the service offering (Boshoff, 2014:7; Lamb *et al.*, 2015:528).
- Similarly, the intangibility of services complicates the communication process, as there is no tangible good to demonstrate to customers during advertisements (Jordaan & Samuels, 2015:18).
- Intangibility of services also increases the challenge of pricing, as the primary cost in the production of a service is labour (Hoffman *et al.*, 2009:28; Jordaan & Samuels, 2015:18).
- Branding is also more difficult for services than for tangible goods (Boshoff, 2014:7).
- Lastly, customers perceive the purchase of services as riskier than purchasing tangible goods because of intangibility (Lamb *et al.*, 2015:528).

The challenges of intangibility can be overcome by the service provider by creating a strong image, establishing brand recognition, and effectively communicating the benefits to the customer (Boshoff, 2014:7).

Etzel *et al.* (2007:291) and Jordaan and Samuels (2015:19) propose the use of the following promotional strategies to decrease the effect of intangibility:

- displaying the benefits of the service offering by means of visualisation;
- promotional strategies may also be used to create a specific image association for the service by means of linking the service offering with a tangible product, person, object or place;

- physical representation may also be used in the promotional strategy, which entails that symbols are used to suggest prosperity and prestige, or a unique offering; and
- documentation could also be used in the promotional strategy by making use of previous performance or forthcoming competencies of the service offering provided by the service business.

2.5.2 Inseparability

Inseparability is a key characteristic of services that reflect the interconnectivity of the service provider, the customer consuming the service, and other customers who might be sharing the same service experience (Boshoff, 2014:7; George, 2015:248). This means that services are sold, produced and consumed at the same time and in the same place, which means that the consumer must be present during the production of services (Lamb *et al.*, 2015:582).

The inseparability of production and consumption has important implications for marketing and operations strategies, including the role played by customers (Lovelock & Gummesson, 2004:29).

Similarly, service production is also inseparable from the service provider, which means that the quality of services that a service provider can provide are directly influenced by the training and quality of the employees of the service provider (Lamb *et al.*, 2015:528). From a marketing perspective, inseparability limits distribution, as direct selling is the only possible channel of distribution (Etzel *et al.*, 2007:29; Verhage, 2014:307). Further problems associated with inseparability of services include the interaction amongst customers, which could influence the service production process in a positive or negative way, as customers simultaneously share experiences during the consumption of a service (Jordaan & Samuels, 2015:21).

According to Hoffman *et al.* (2009:36) and Jordaan and Samuels (2015:22), these challenges can be overcome by a number of strategies, namely:

- an increased emphasis on the selection and training of personnel within the business;
- the implementation of consumer management strategies that may aid in facilitating positive service encounters for all customers;
- the development and use of multi-site locations;
- service providers investigating ways to service larger groups of customers at the same time; and
- providing better support for front-line employees, as this could create appeal while communicating messages of professionalism to customers.

2.5.3 Heterogeneity

Heterogeneity refers to the discrepancies in consistency that may arise between service transactions as a result of human involvement in service delivery, which means that service standardisation and quality control are challenging for service providers to achieve (Boshoff, 2014:8; George, 2015:248). Furthermore, it is also important to note that each customer has unique needs and demands, and experiences the service in his or her own unique way (Wilson *et al.*, 2012:16). During service encounters, front-line staff is almost always present, and it is important to understand that the front-line staff are also influenced by their prevailing moods and emotions that could result in inconsistent levels of service delivery (Boshoff, 2014:9). The difficulty of standardising services and service quality is undoubtedly the greatest obstacle due to heterogeneity (Jordaan & Samuels, 2015:23).

According to Jordaan and Samuels (2015:23) and Lamb *et al.* (2015:529), service consistency and reliability may be increased to overcome the challenge of heterogeneity, by means of:

- customising service delivery according to individual customers' specific needs and instructions, as this will allow them to satisfy more divergent needs and provide the opportunity to set a higher price;
- sufficient employee training; and
- recruiting the right employees and ensuring that employees receive the relevant training.

2.5.4 Perishability

Perishability is also an observable characteristic that differentiates services from goods, as services and demand for services cannot be stored in a storeroom and consumed at a later time as the activities and marketing are connected and act together (Boshoff, 2014:9; George, 2015:248). As the obtainable capacity cannot be put in storage for future use, it creates imbalances in supply and demand (Etzel *et al.*, 2007:291; Kasper *et al.*, 2006:60; Verhage, 2014:308). Consequently, one of the most significant trials that perishability holds for service providers is finding means to coordinate supply and demand (Lamb *et al.*, 2015:529).

However, according to Hoffman *et al.* (2009:45-49) and Jordaan and Samuels (2015:25), various marketing strategies can be used to regulate the supply and demand balance, such as:

- creative pricing strategies can be used to help level demand in non-peak and peak periods;
- reservation systems can be used where customers request services for a particular period;
- complementary services can be provided, which directly relate to the core service offering with the goal of minimising the customer's perceived waiting time;

- part-time employment can be used to assist the service provider during peak periods;
- capacity sharing can be used to increase supply by working with similar service providers;
- advanced preparation for expansion can be done to limit the wasting of time;
- employment of a third-party service provider to service customers can be used; and
- customers' participation in the service can be increased by having the customer perform a part of the service.

2.5.5 Lack of ownership

This final differentiating characteristic indicates that services cannot be owned, and stems from all four of the abovementioned characteristics. Customers can merely purchase the right to a service process but no ownership transfer takes place (Boone & Kurtz, 2014:489; Boshoff, 2014:9).

From the above discussion, it is clear that the characteristics of services may result in various marketing-related problems. These problems and possible solutions are presented in Table 2-1.

Table 2-1: Marketing problems and possible solutions

Service characteristic	Possible marketing problems	Possible marketing solutions
Intangibility	• Lacking inventories • Lacking patent protection • Difficulty in displaying or communicating services • Difficulty in pricing services	• Use tangible clues • Use personal sources of information • Create strong organisational image
Inseparability	• Physical connection of the service provider to the service • Involvement of the customer in the production process • Special challenges in mass production of services	• Select and train public contact personnel • Consumer management • Use multi-site locations
Heterogeneity	• Difficulty to standardise service and quality control	• Customising • Standardising – consistent service
Perishability	• Higher demand than maximum available supply • Higher demand than optimal supply level • Lower demand than optimal supply level	• Demand strategies: – Creative pricing – Reservation systems – Complementary services – Develop non-peak demand • Supply strategies: – Utilise part-time employees – Share capacity – Prepare for expansion – Increase customer participation

Source: Adopted from Hoffman *et al.* (2009:30–50).

From the above discussion of the various differences between services and goods, it is apparent that several challenges exist for service providers. It is therefore vital for service providers to be aware of all the challenges and explore resolutions and strategies to manage these challenges best. When service providers succeed in increasing their service levels, the service provider could start experiencing numerous benefits, as discussed in the next section.

2.6 BENEFITS OF PROVIDING BETTER SERVICE

Services are one of the most essential ways to differentiate your business from competitors who provide the same services to the same customers. By differentiating in terms of service, the service provider could experience the following benefits:

- **Increased market share.** Service providers that succeed in improving their service quality could entice competitors to 'move over', thereby increasing the market share as it is challenging to match superior service delivery (Jordaan & Samuels, 2015:34).
- **Improved value proposition.** When a quality service is delivered, customers' perceived value also increases, which forms the basis on which they make future buying decisions (Jordaan & Samuels, 2015:34). Customers' perceptions of value need to be evaluated regularly if service providers wish to continue satisfying their customers (Berndt & Tait, 2012:31).
- **Financial impact.** Another benefit of providing superior service is the improved profitability, as the service provider experiences a higher sales income as well as lower costs (Wilson *et al.*, 2012:423).
- **Marketing benefits.** Lastly, service providers could benefit from quality accreditation or awards, as they may use this to substantiate their marketing communication claims (Jordaan & Samuels, 2015:34).

These benefits can be realised when a service provider succeeds in improving service delivery. The next section pays attention to consumer behaviour in a service setting, as well as aspects related to providing superior quality services, including customer satisfaction and long-term customer loyalty.

2.7 SERVICES CONSUMER BEHAVIOUR

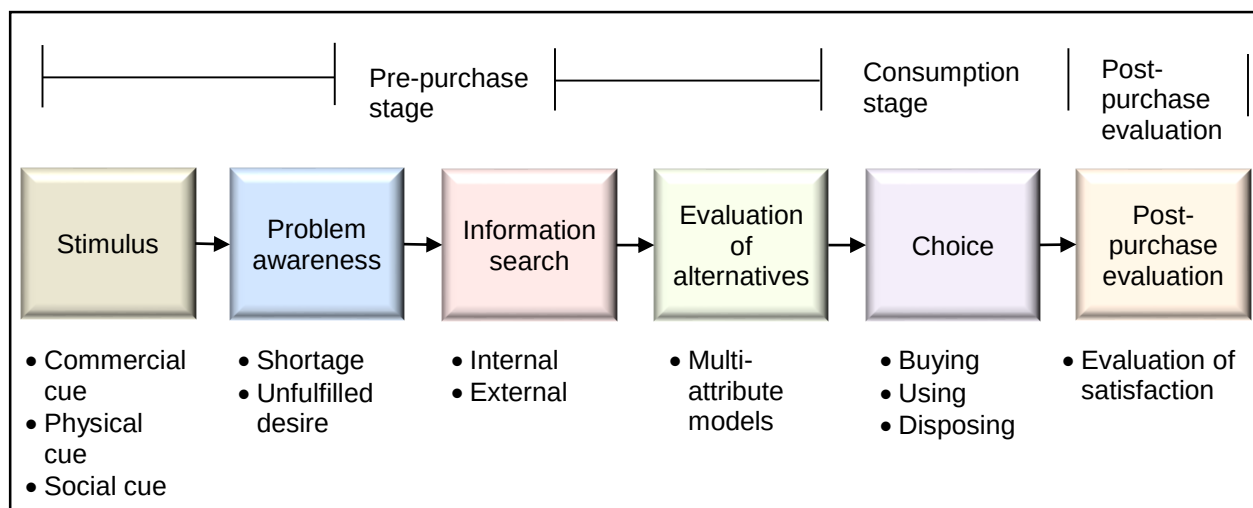
In consumer behaviour studies, the purpose is to comprehend the various factors that influence consumers, as well as their behaviour patterns in situations where customers are purchasing a service (Jordaan & Samuels, 2015:171; Palmer, 2011:152). One important process that marketers and service providers should comprehend is the consumer decision-making process (Hoffman & Bateson, 2017:91). It is more important than ever for marketers to understand how

their consumers choose amongst numerous services offered to them as well as how consumers evaluate these services as these decisions could determine whether the business prospers or fails (Hoffman *et al.*, 2009:85). Lamb *et al.* (2015:82) also explain that customers' service preferences are continuously changing and, as a result, marketers in the retail banking industry in particular, need to have a comprehensive knowledge and understanding of their consumers' behaviour so as to create a suitable marketing mix and a well-defined market.

2.7.1 The consumer decision process

The consumer decision-making process consists of three main stages through which the consumer progresses for both the purchasing of goods and services, namely the pre-purchase stage, the consumption stage and the final post-purchase stage. This process is illustrated in Figure 2-7, followed by a discussion of each consumption stage during the purchasing of services specifically. Although this decision-making process is also present during the purchasing of goods, the service consumption process will specifically be addressed during each step of the process. Lovelock *et al.* (2009:34) explain that service consumption can be divided into three main stages, namely the pre-purchase stage, the service encounter stage (consumption stage), and the post-purchase stage.

Figure 2-7: The consumer decision process



Source: Adopted from Hoffman and Bateson (2015:91).

2.7.1.1 The pre-purchase stage

The pre-purchase stage includes all activities that occur before, and lead up to the purchase or acquisition of a service. This stage can be subdivided into various steps, such as the identification of the unfulfilled need, the information search and the evaluation of alternatives (Jordaan & Samuels, 2015:171; Palmer, 2011:152). The pre-purchase stage commences once the customer

is exposed to a stimulus, such as an advertisement, which leads to the identification of an unfulfilled need (Hoffman & Bateson, 2017:92). During this stage, customers might not always know exactly which aspects are important to them and for this reason, the customer makes use of internal factors, external factors and risk information to evaluate the service offering (Jordaan & Samuels, 2015:172; Lovelock & Wirtz, 2011:60). Internal factors that could have an influence on the customer's decision-making process are the customer's individual needs and wants, as well as the customer's past experience and expectations with regard to the specific service offering (Schiffman & Kanuk, 2014:415). External factors may influence the length of time that the customer will take to make a decision with regard to the service offering, namely the number of competitors competing in the same market, the more special the occasion for which the purchase is made, as well as the exposure to word-of-mouth communications (Hoffman & Bateson, 2017:93; Joubert & Samuels, 2015:173). Furthermore, the customer's decision to purchase a service offering is also influenced by organisation-controlled factors, such as marketing communications, the price and distribution or availability of the service offering. Lastly, the customer's behaviour is also influenced by the risk of the consequences of the purchased service offering that might not have been anticipated with a degree of certainty, especially due to the intangible nature of services. (Hoffman & Bateson, 2017:97; Palmer, 2011:156).

Once the customer has assessed the necessary information to decrease the risk of the purchase of the service offering, the purchase decision can be made, and the customer will progress to the second stage of the decision-making process, namely the consumption stage (Joubert & Samuels, 2015:173; Schiffman & Kanuk, 2014:429).

2.7.1.2 The consumption stage

During the consumption stage, the service encounter is the point where the customer and the service provider interact and the service is performed and consumed by the customer (Palmer, 2011:158). This interaction is known as the 'moment of truth', as the customer's expectations of the service delivery will be met, exceeded or not met (Hoffman & Bateson, 2017:95; Wilson *et al.*, 2012:84). It is important to remember that during service delivery, the service is produced and consumed simultaneously as a result of service inseparability, which means that the service provider can directly influence the customer's evaluation of the service (Hoffman & Bateson, 2017:102; Joubert & Samuels, 2015:173). During the consumption stage, the service provider gets the opportunity to deal with problems successfully and control the service process in order to ensure customer satisfaction is obtained (Joubert & Samuels, 2015:173). As soon as the service has been consumed, the customer progresses to the post-purchase stage of the decision-making process.

2.7.1.3 The post-purchase stage

During the post-purchase stage, the customer may experience a degree of cognitive dissonance, as he/she may begin to doubt whether the right decision was made with regard to the purchase of the service offering (Hoffman & Bateson, 2017:95). One of the greatest challenges marketers face is to minimise the customer's cognitive dissonance by reassuring them that they have made the right decision (Palmer, 2011:159). Marketers can reassure their customers by means of a reassurance letter with their purchase, a warrantee or guarantee, as well as an advertising campaign aimed at reinforcing the decision (Hoffman & Bateson, 2017:95; Jordaan & Samuels, 2015:174).

According to Jordaan and Samuels (2015:174) and Lovelock and Wirtz (2011:74), this stage is all about the customer's satisfaction, which is ultimately the desired outcome of the marketing process as satisfied customers are more likely to make repeat purchases, are more likely to become loyal and are more willing to share positive word-of-mouth communication. However, when the service provider does not succeed in satisfying its customers, dissatisfied customers may partake in negative word-of-mouth communications and in severe cases, switching to competing businesses (Jordaan & Samuels, 2015:174; Palmer, 2011:160).

The information gathered during the post-purchase stage is used by service providers, including retail banks to manage their service processes and to assess and implement successful service strategies. The next section discusses how service providers could assess and implement successful service strategies by achieving customer satisfaction, service quality and customer loyalty.

2.8 ASSESSING AND IMPLEMENTING SUCCESSFUL SERVICE STRATEGIES

Services marketing strategies are the means by which marketing objectives, including satisfaction, service quality and customer loyalty, will be realised, and are generally concerned with the major elements of the services marketing mix (Jordaan & Samuels, 2015:297). Consequently, these elements of the service marketing mix (product, price, place, promotion, people, process, and physical evidence) serve to aid service providers to meet their marketing objectives successfully. The main marketing objectives for service providers are customer satisfaction, service quality and customer loyalty (Babin & Harris, 2014:289; Jordaan & Samuels, 2015:297). These objectives are addressed in the next section followed by a discussion of the marketing mix.

2.8.1 Customer satisfaction

One of the most common objectives of service marketing strategies is establishing customer satisfaction. According to Babin and Harris (2014:289), customers are satisfied when their service experience meets or exceeds their expectations. This is especially important, as customers who are satisfied with a service offering tend to display three typical future behaviours, namely repeat purchases from the same service provider as long as the positive experience continues, loyalty towards the provider, and positive word-of-mouth communication (Jordaan & Samuels, 2015:49; Lovelock & Wirtz, 2011:351).

Customer satisfaction with the service quality therefore leads to more favourable behavioural intentions and may increase the likelihood that the customer will purchase from the business again, which can lead to a long-term mutually beneficial relationship (Bateson & Hoffman, 2011:296).

2.8.2 Service quality

Successful marketing strategies develop integrated marketing programmes aimed at reaching the marketing objectives (namely satisfaction, service quality and customer loyalty) by blending all the abovementioned service marketing mix elements (product, price, place, promotion, people, process, and physical evidence) and as a result, this enables service providers to deliver value to customers (Kotler & Armstrong, 2008:51).

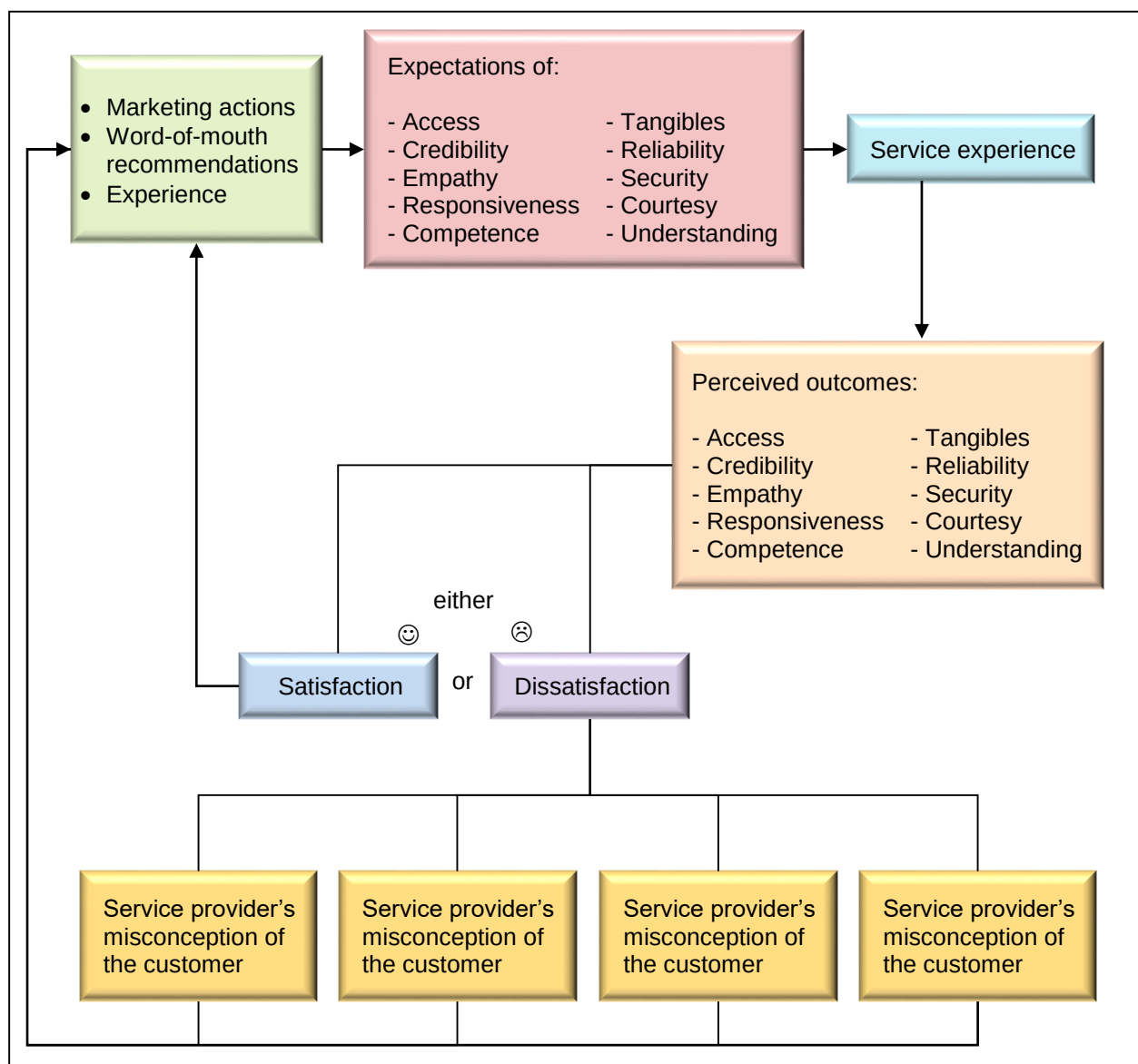
According to Hoffman *et al.* (2009:400), the success and survival of service providers also depend heavily on the customer's perception of service quality, as service quality could generate increased market share and increased sales. Lovelock and Wirtz (2011:407) define service quality from the perspective of the customer, by stating that service quality is meeting or surpassing the customer's service expectations. Customer expectations are recognised as a relevant and important element to service providers, as they determine how customers perceive the quality of the provided services (Boshoff, 2014:54; Fisk *et al.*, 2014:148). In order to explain this phenomenon better, Figure 2-8 illustrates customer service experience and presents several factors that could possibly affect the expectations of the service that the customer may receive, as well as the various factors that affect customer perception.

As indicated in Figure 2-8, the customer determines the quality of the service delivered based on his/her personal perception. The customer therefore comes to a conclusion concerning the actual service performance delivered and his/her perception of the overall service quality, and the difference between the perception and service performance is regarded as the driver of perceived service quality (Fisk *et al.*, 2014:151). Service quality can be established when marketers are able

to close the 'gaps' between the customer's expectations about the service and the customer's perceptions during service delivery (Boshoff, 2014:55). The next section specifically explains the various gaps in service quality.

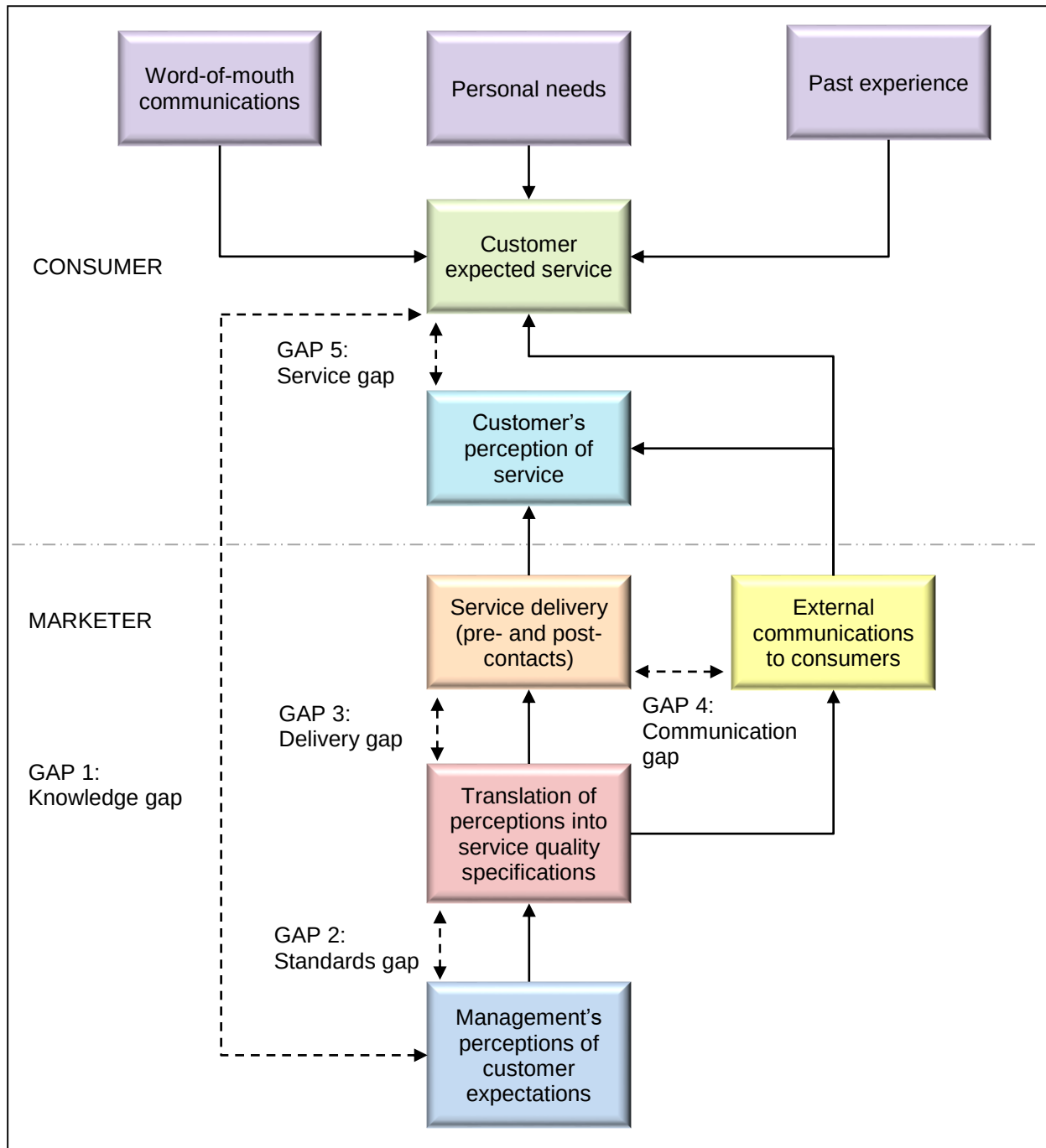
Lovelock and Wirtz (2011:406) state that the Gaps Model may be used to identify distinctive gaps that occur throughout service delivery. The Gaps model could assist service providers by functioning as a point of reference that helps the business meet expectations of customers and in doing so, improve the service quality. A service gap occurs when the actual service that a customer receives is perceived to be lower or above the expectations of the customers (Palmer, 2011:296). The Gaps model is illustrated in Figure 2-9, and summarised in Table 2-2.

Figure 2-8: Service quality: expectations and perceptions



Source: Adopted from Boshoff (2014:54).

Figure 2-9: Gaps model



Source: Adapted from Boshoff (2014:55) and Parasuraman *et al.* (1985:44).

Table 2-2: Service delivery gaps

(i) The knowledge gap	The difference between what service providers believe customers expect and customers' actual needs and expectations.	External gap
(ii) The standards gap	The difference between management's expectations of customer expectations and the quality standards established for service delivery.	Internal gap
(iii) The delivery gap	The difference between specified delivery standards and the service provider's actual performance on these standards.	Internal gap

Table 2-2: Service delivery gaps (cont.)

(iv) The internal communications gap	The difference between what the advertising and sales personnel of the company think the features, performance and service quality level of the product are and what the company is actually able to deliver.	Internal gap
(v) The perceptions gap	The difference between what is actually delivered and what customers perceive they receive (because they are unable to evaluate service quality accurately).	External gap
(vi) The interpretation gap	The difference between what a service provider's communication offers (in advance of service delivery) actually promise and what a customer thinks is promised by these communications.	External gap
(vii) The service gap	The difference between what customers expect to receive and their perceptions of the service that is actually delivered.	External gap

Source: Adopted from Lovelock and Wirtz (2004:424).

(i) The knowledge gap

The first gap in service quality is generally for the business to have knowledge about what the customer wants, needs and expects to receive to ensure that the best decisions are made when offering a service (Boshoff, 2014:56). According to Lovelock and Wirtz (2004:424), a gap exists between the customer's needs and expectations and what the service provider believes to be true. In essence, it is important for retail banks to realise that they may not always understand which features customers perceive to high service quality, which essential features should be present in service delivery to satisfy customer needs truly as well as which performances are needed in terms of these features to deliver a quality service (Parasuraman *et al.* 1985:44).

(ii) The standards gap

However, merely knowing and undertaking to satisfy the customer's expectations and perceptions about the service is not enough to deliver quality services. The next step is to implement service standards based on the customer's perceptions (Boshoff, 2014:57). The standards gap is the gap that exists between the expectations of a service provider of customer expectations and the quality standards established for service delivery (Lovelock & Wirtz, 2004:424). According to Boshoff (2014:57), this gap occurs as a result of insufficient standardisation of tasks, the lack of goal setting, as well as insufficient commitment by management to provide quality service. This means that a wide range of aspects may influence the quality of the service delivered, namely resource restrictions, market conditions and management indifference, which can all result in an inconsistency between management perceptions of customer expectations and the actual stipulations established for a service (Parasuraman *et al.*, 1985:45). It is, therefore, essential for retail banks to set standards to guide activities as well as the behaviour of personnel. This will ensure that

services delivered are of high quality and consistent (Bateson & Hoffman, 2011:331; Boshoff, 2014:57).

(iii) The delivery gap (service performance gap)

Even when service standards are prepared, the service provider still needs to guarantee that satisfactory and efficient systems, procedures and people are in place to ensure that the service can be delivered correctly and that it matches the customer's expectations (Boshoff, 2014:57). According to Lovelock and Wirtz (2004:424), this gap exists in the difference between the actual performance by the service provider and specified delivery standards. The delivery gap may occur as a result of vagueness in the responsibilities and roles of contact personnel, conflicting roles and responsibilities, poor personnel–job fit, a lack of teamwork and unsuitable managerial control structures (Boshoff, 2014:57; Parasuraman *et al.*, 1985:45). This is especially true in the retail banking industry.

However, this gap could be overcome by empowering employees to act in the best interest of both the customer and the business. Service providers could also improve communication and reduce conflict by providing employees with the required knowledge, skills and emotional support (Bateson & Hoffman, 2011:332; Boshoff, 2014:57).

(iv) The internal communication gap

The communication gap, according to Lovelock and Wirtz (2004:424) and Parasuraman *et al.* (1985:46), is the difference between what marketing employees believe the product or service features are, the performance and service quality level of the product or service are and the ability of the business to actually deliver the product or service. Generally, this gap is bigger as many businesses (including retail banks) overpromise or oversell their services to customers, which increases customer expectations and then results in dissatisfied customers (Boshoff, 2014:58).

(v) Perceptions gap

The perception service delivery gap refers to the difference between what is actually delivered and what customers perceive they received (Lovelock & Wirtz, 2004:424). According to Boshoff (2014:56) and Lovelock and Wirtz (2004:424), this gap is simply the difference between the service the customer expects to receive (shaped by word of mouth, personal needs or past experiences) and the actual service delivered.

(vi) The interpretation gap

The interpretation gap is not specified in many resources, however Lovelock and Wirtz (2004:424) explain that an interpretation gap can also exist in services marketing, as this gap exists as a result of a difference between the communication promises compared to the perception of the customer's belief of the promise as a result of these communications (Boshoff, 2014:424). However, this is very similar to the communication gap as well as the service gap as discussed above.

(vii) The service gap

The service gap refers to the difference between what customers expect to receive and their perceptions of the service that is actually delivered (Lovelock & Wirtz, 2004:424; Parasuraman *et al.*, 1985:46). This is also confirmed by Boshoff (2014:56) who explains that the service gap is characterised by the difference between the expectations of customers and the delivered service as well as the difference between the actual delivered service and the perception of the retailer or manager.

The above gaps provide valuable information to retail banks aiming to deliver quality services. As various service providers are experiencing pressures and uncertain economic outlooks, it is important to understand these gaps in order to deliver quality services so as to ultimately develop customer satisfaction and build relationships with these customers (Ashley *et al.*, 2011:149; Taylor, 2011:1).

2.8.3 Customer loyalty and retention

The satisfaction that results from high levels of service quality sets the scene for the development of long-term customer relationships. These long-term customer relationships are beneficial to the service provider as customer relationships promote long-term financial benefits because these customers would be willing to pay premium prices, try new services, give referrals, suggest service improvements and cost less to service (Bateson & Hoffman, 2011:383; Jordaan & Samuels, 2015:50). This is supported by Berndt and Tait (2012:27) who state that loyal customers tend to have emotional connections with the business, that increases their willingness to continue to support the business beyond mere convenience or low prices, as well as the willingness to encourage their friends and family to also support the business.

As discussed in section 2.8, the main marketing objectives can be met by service providers by utilising the service marketing mix (product, price, place, promotion, people, process and physical evidence). These marketing mix elements are addressed in the next section.

2.8.4 Elements of services (marketing mix)

The extended marketing mix elements are included in successful service marketing strategies, and are used to realise marketing objectives. The marketing mix is one of the most important concepts in services marketing, and is considered a set of controllable, strategic marketing tools that any business can combine in order to generate a preferred reaction from the target market as well as to satisfy customers' needs (Kotler & Armstrong, 2008:50; Wilson *et al.*, 2012:20). The traditional marketing mix comprises product, price, promotion and place, and is universally also referred to as the four Ps of marketing, according to Lamb *et al.* (2015:529). All of these elements are interconnected and dependent on each other and should be integrated during the formulation of the marketing strategy of retail banks (Boshoff, 2014:10). The expanded marketing mix for services is presented in Table 2-3, and discussed in the next section.

2.8.4.1 Service product

The product forms the heart of the marketing mix, and comprises the product offering and product strategy (Lamb *et al.*, 2015:512). However, it is important to remember that the product means much more than just the presented good, service or idea, as it also involves the satisfaction of all customer needs relative to the product, service or idea (Boone & Kurtz, 2014:46). When customers purchase service products, they are buying particular bundles of benefits that they believe will satisfy their individual needs and wants (Jordaan & Samuels, 2015:297). This means that the service product also includes the packaging, guarantees, after-sales service, brand name, brand image and value that goods (Lamb *et al.*, 2015:512).

Table 2-3: The expanded marketing mix for services (7 Ps)

Product	Place	Promotion	Price	People	Process	Physical evidence
Brand name	Distribution intensity	Advertising	Level	Employees	Activity flow	Facility design
Quality level	Inter-mediate	Sales promotion	Differentiation	Customers	Customer involvement	Signage
Sizes	Transformation	Publicity	Discounts	Interaction between customers and employees	Backstage activities	Equipment
Packaging	Outlet types	Media types	Allowances		Front-stage activities	
Guarantees	Storage	Target audience				

Source: Adopted from Lamb *et al.* (2015:530).

2.8.4.2 Physical evidence

The physical evidence element refers to the environment where the service delivery takes place, such as any physical element that facilitates performance or communication of the service, for example the facility design, the equipment required, signage, corporate dress, annual reports, guarantees, business cards and financial statements (Boshoff, 2014:11). This is also often referred to as the servicescape, and according to Lamb *et al.* (2015:530), the servicescape is influenced by the minimum requirements that the customer expects the environment should adhere to (such as hygiene or neatness). From a marketing point of view, the physical environment can be developed in such a way that it provides the service provider with the opportunity to communicate consistent and strong messages about the quality of the business and services to customers (Lamb *et al.*, 2015:531). When physical evidence is researched, planned and implemented effectively, the service provider can avoid key problems leading to service quality shortcomings, as an effective physical evidence strategy could play an important part in communicating to customers the exact service offerings to aid in the formation of realistic expectations (Jordaan & Samuels, 2015:298).

2.8.4.3 People

The people component of the service marketing mix comprises all individuals who contribute to the service delivery that may influence the customer's perceptions of the service provider (Boone & Kurtz, 2014:489; Lamb *et al.*, 2015:529). The people element therefore includes all the aspects of employee involvement in the service delivery together with the contact employees have with customers, as well as the recruitment, training and motivation of personnel, together with the rewards presented to employees, and teamwork incorporated in the people element (Boshoff, 2014:11). It is also important to remember that customers themselves could also influence the service delivery (enhancing or disrupting) and therefore also influence their own satisfaction as well as the outcome of another customer's service experience (Lamb *et al.*, 2015:530).

2.8.4.4 Place

The place element of the marketing mix is also referred to as distribution, and this element is mainly concerned with the supply of products when and where the customer may want or need such products (Boone & Kurtz, 2014:47; Lamb *et al.*, 2015:512). This element also involves all business activities concerned with storing and transporting raw materials or finished products and making sure that these products arrive in a good condition at selected places (Lamb *et al.*, 2015:512).

However, this marketing mix element also involves the flow of information, as the distribution system needs effective communication support in order to be successful, and refers to the order processing system, invoicing system and the demand forecasting system (Jordaan & Samuels, 2015:301).

2.8.4.5 Pricing

This element deals with the ways and means of setting prices that are profitable and reasonable by closely examining the market and target market (Boone & Kurtz, 2014:48). The price element of the marketing mix is often considered one of the most flexible elements as it is the easiest element to adapt (Lamb *et al.*, 2015:513). It is important to remember that the price is what the customer will have to give up in order to acquire the product or service, and is therefore a significant competitive weapon (Boone & Kurtz, 2014:48; Lamb *et al.*, 2015:513). Similarly, the pricing element not only affects the revenue of the service provider, but also influences demand, which again influences the quantities sold (Jordaan & Samuels, 2015:302).

2.8.4.6 Promotion

The promotion element of the marketing mix aims to initiate mutually satisfying interactions with the target market by providing these customers with information, education and persuasion or reminders regarding the benefits of the products and services of the business by means of advertising, personal selling, sales promotions as well as public relations (Boone & Kurtz, 2014:48; Lamb *et al.*, 2015:513). Promotional strategies are primarily concerned with actual and potential customers (Jordaan & Samuels, 2015:303).

2.8.4.7 Process

This element of the marketing mix refers to the procedures, mechanisms and flow of all the activities and operations involved in service delivery (Boshoff, 2014:11). This is an important element, as the actual delivery and operational flow of the service also provide a customer with evidence by which he or she will evaluate the service quality and satisfaction (Lamb *et al.*, 2015:530). The service process relies on business systems, such as customer-complaint handling, customer waiting and queuing, and after-sales services (Jordaan & Samuels, 2015:300). This P of the extended marketing mix is vital for the business, as it ensures that the service delivery is of good quality, efficient as well as effective (Boone & Kurtz, 2014:494). According to Jordaan and Samuels (2015:300), the service process needs to have a built-in level of flexibility that may help to ensure greater customer satisfaction and a higher quality service delivered overall.

2.8.5 Services marketing in South Africa

South Africa is viewed as a leading economy, which entails that many businesses that are competing in this environment are faced with numerous challenges and developments, and are required to re-evaluate their business strategies. From a marketing perspective, countless marketers have not yet revised their marketing strategies to these challenges and developments, and are forced to adapt hastily in order to continue to stay competitive (Petzer & De Meyer, 2013:387). It is therefore clear that services marketing and services marketing strategies could benefit any service provider. In order to contribute to economic growth and prosperity along with managing the opportunities, threats and issues that the growing service sector offers proactively, it is important to understand the service industry and the growing importance of services in South Africa, as well as in the banking industry (Du Plessis, 2014:3). Section 2.9 provides insights into the current situation in the South African retail banking industry.

2.9 RETAIL BANK MARKETING

The retail banking industry provides personal financial services and products, such as cash accessibility, remittances, loans, deposits, investments and related guidance, to individuals or retail banking customers (Ahmad, 2005:318). Das (2009:23) and Lin *et al.* (2011:252) describe retail banking as a cluster of financial product and service providers, which specifically cater for customers' various banking needs via physical bank branches as well as online bank sites on the Internet. The notion of retail banking excludes all forms of business banking and related financial products and private banking (Brick *et al.*, 2004:303).

According to Berndt *et al.* (2004:31), retail banks have a necessity to differentiate themselves in the minds of the customer and become more relationship quality-oriented. As a result, retail banks are required to develop and maintain enduring relationships with their customers in order to achieve a sustainable competitive advantage and to prosper in this changing environment (Sashi, 2012:257). Currently, the focus of retail bank marketing is to identify those customers who want to engage in a long-term relationship in order to capitalise on customer value (Ashley *et al.*, 2011:149; Taylor, 2011:2). This is what this study aimed to accomplish by developing a multi-item scale to measure the extent of customer engagement in the South African retail banking industry.

2.9.1 The South African banking industry

South Africa's banking industry is viewed as a well-developed system, which is proactively regulated and with which industrialised countries associate positively (The Banking Association of South Africa, 2014:1). Furthermore, the reputation of the South African banking industry has flourished remarkably in recent years (Springfield, 2015). Additionally, the South African banking

industry is the largest banking market in Africa, and is dominated by a few banking groups (Absa, Capitec Bank, FNB, Nedbank and Standard Bank), representing approximately 80% of the sector's assets (Ernest & Young, 2012:55).

However, as a result of apartheid in South Africa, political pressure made many foreign banks close down and withdraw from their South African operations. Since the 1994 elections, however, foreign banking businesses have started to return, and by 1997, 59 foreign banking businesses had approved local representative offices in South Africa and in addition, seven of these had established branches (Okeahalam, 1998:30). Since then, the banking industry of South Africa has been experiencing rapid growth and pressures as a result of the uncertain economic outlook, the increasing regulatory costs as well as the threat of new entrants into the market (Ernest & Young, 2012:1; Taylor, 2011:2). By early 2014, the South African banking industry was ranked third out of 148 countries (Springfield, 2015). This is supported by Harris (2013) who explains that factors other than the financial crisis also influenced the banking industry and contributed to the increased competitiveness, including changing regulatory factors and technological innovation.

Additionally, since 2015, conditions worsened within South Africa, as banks are becoming progressively under increasing pressure as banking conditions are deteriorating (Springfield, 2015). The most important change that is essential to understand is that the trust relationship between banks and their customers was damaged since the financial crisis in 2008, as retail banks struggled to provide tailor-made products and services to satisfy customers' expectations (Ernest & Young, 2012:6). The situation is further complicated as research by Brick *et al.* (2004:316) indicates that customers are not satisfied with the service, products and level of customer intimacy that they receive from retail banks, and view problem-free, convenient and efficient banking as the most important value to them, which none of the banks delivered during this period. According to Springfield (2016), one of the more concerning predictions is that the economic conditions are expected to worsen before South Africa will start to experience an improvement and, as a result, the banking industry will struggle to sustain its recent performance.

Additionally, banks in South Africa came to realise that customer expectations have increased and that customers consequently expect to have access to their bank in a range of ways that are convenient to them (Berndt *et al.*, 2004:31). Customers are furthermore changing their behaviour and are increasingly expecting more from banks and are becoming more demanding as a result of the ease with which they now can switch between banks. This is currently also affecting the profitability and growth of this industry negatively (Ernest & Young, 2012:1; Taylor, 2011:2).

The existence of the core banks are considered essential to the country's economic stability and this increases the importance of success (PWC, 2016:4). Therefore, the importance of a scale to

measure customer engagement in the retail banking industry of South Africa cannot be overstated.

2.10 CONCLUSION

This chapter presented an overview of marketing, services and services marketing. The classification of services, as well as the distinguishing features of services was explored together with the various service marketing objectives, service elements and characteristics. The benefits of providing better services were also explained, and consumer behaviour with the consumer decision-making process was illustrated and specifically adapted to the service industry. Lastly, the South African retail banking industry was discussed. In the next chapter, the theoretical foundation and evolution of customer engagement are explored.

CHAPTER 3

THEORETICAL FOUNDATION OF CUSTOMER ENGAGEMENT FROM A RELATIONSHIP MARKETING PERSPECTIVE

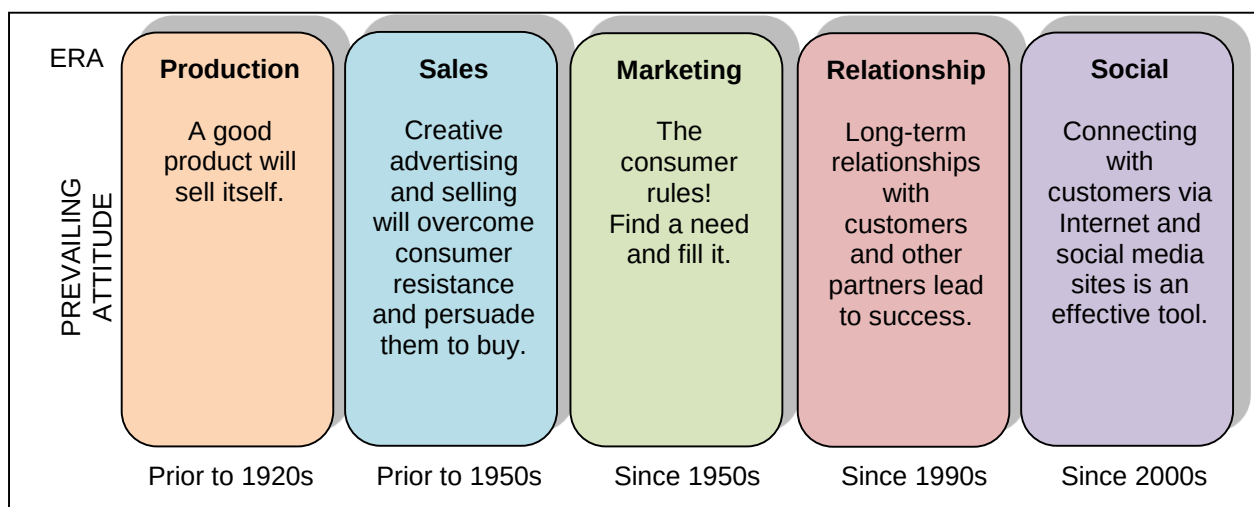
3.1 INTRODUCTION

In order to understand the concept of customer engagement better, it is firstly important to comprehend its place in the discipline of marketing. This chapter, therefore, commences with a discussion of the evolution of marketing over the last number of years. The change in marketing – from a production-focused approach to a customer-focused approach – is then discussed. From this, the theory of the nature of relationship marketing, including the definitions and the various benefits for businesses as well as customers, is addressed.

3.2 THE EVOLUTION OF MARKETING

Over the years, diverse approaches to marketing developed and a reorientation of management philosophies or management thinking transpired with every new approach (Cant & Van Heerden, 2013:10). While marketing has always played an important role in business, it is essential to comprehend how this concept evolved and adapted over time (Boone & Kurtz, 2014:8). An understanding of how marketing evolved clarifies the contemporary view of marketing (Perreault *et al.*, 2014:16). Figure 3-1 illustrates the five different eras in the history of marketing, along with the attitudes of businesses during these eras, which are subsequently briefly explained.

Figure 3-1: Marketing eras and businesses' attitudes



Source: Adopted from Boone and Kurtz (2014:9).

3.2.1 The production era (prior to 1920s)

Before the 1920s, most businesses focused intently on the production and quality of products, and believed that customers would only purchase high-quality products (Boone & Kurtz, 2014:9). Most businesses believed that the market would accept and purchase products if such products were readily available at reasonable prices (Cant & Van Heerden, 2013:10; Kotler & Armstrong, 2014:31). Throughout this era, the focus was on the internal production capabilities of the business (i.e. production and the optimising of products) rather than on the wants and needs of the marketplace (Lamb *et al.*, 2013:4). Products were mass produced, which resulted in a surplus of product availability – supply exceeded demand. Customers were generally receptive towards the overabundance of available goods (Cant & Van Heerden, 2013:10; Schiffman & Kanuk, 2010:26).

During the production era, however, the needs of customers were ignored and marketers got away with this due to a lack of competition in the market, or because customers were relatively poor and unsophisticated at the time, and they purchased products whenever they could afford to do so (Cant & Van Heerden, 2013:10; Kotler & Armstrong, 2014:32). However, the production era was not effective, as it did not reflect on whether the goods and services that the business could produce also met the needs of the marketplace (McDaniel *et al.*, 2013:4). This unfortunate situation brought about a transformation in management thinking and marketing progressed to the sales era.

3.2.2 The sales era (prior to 1950s)

During the sales era, production techniques became more sophisticated and refined, and production output started to increase from the 1920s to the 1950s, which resulted in a transformation of focus, from production to sales, as these businesses wanted to match their production output to customers who would *want* to purchase it (Boone & Kurtz, 2014:9). Businesses realised that they produced more products than their market could consume, and to complicate this era further, competition became more intense, providing customers with a variety of potential options (Cant & Van Heerden, 2013:10).

According to Schiffman and Kanuk (2010:26), supply progressively reached a point where it was greater than the demand for products, which required businesses to adapt their organisational premises. Consequently, businesses in this era realised the need and importance for unique product offerings supported by marketing efforts. Throughout this era, the basic idea was that customers would purchase more products when aggressive sales techniques were utilised by the business (Lamb *et al.*, 2013:5). During this time, the main aim of businesses was to maximise

sales by using a 'hard-sell approach', which meant that the sales force wanted to increase sales at any cost, as they believed that higher sales meant higher profit (Cant & Van Heerden, 2013:10; Kotler & Armstrong, 2014:32).

Higher sales, however, incurred higher costs and resulted in lower profit (Cant & Van Heerden, 2013:10). This notion was, furthermore, not ideal, as customers' needs and wants were not taken into consideration, leaving the marketplace still malcontent.

3.2.3 The marketing era (since 1950s)

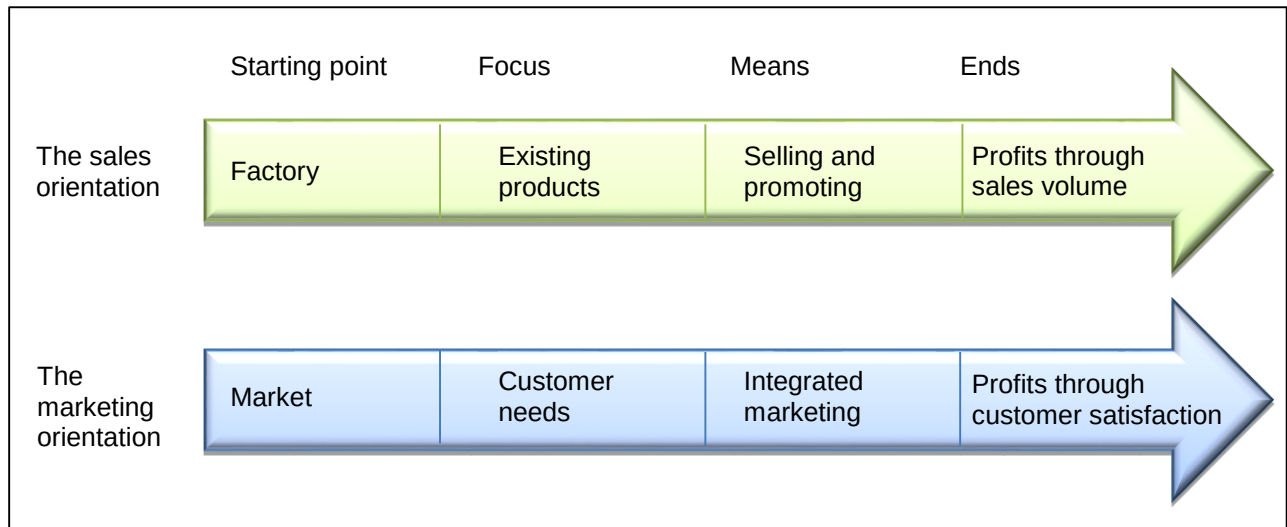
During the great depression in the 1930s – prior to progressing to the marketing era – the importance of marketing in business intensified, as personal income (and demand for products) declined rapidly and the survival of businesses depended on paying close attention to their markets for their goods and services (Boone & Kurtz, 2014:9).

The marketing era assumed that sales do not depend on an aggressive sales force but rather on a customer's choice to buy the product and their satisfaction with that product (Lamb *et al.*, 2014:5). During this era, customers developed refined needs and were in a healthier financial position where they could choose between a variety of competing products to satisfy their needs (Cant & Van Heerden, 2013:10).

Throughout this era, businesses gradually realised that it was time to focus on customers and customer preferences, with the aim of putting the customer first in their strategic thinking and planning. This shift in focus ultimately resulted in what is known as the marketing concept (Schiffman & Kanuk, 2010:26). According to Lamb *et al.* (2013:5), the marketing era depended on the customer's decision or desire to purchase a product, and did not assume that a purchase was influenced by the marketing attempts of an aggressive sales force. To distinguish better between the sales era and the marketing era, Figure 3-2 presents a comparison of the sales concept with the marketing concept.

As seen in Figure 3-2, the main difference between the sales era and the marketing era is that the sales orientation takes an inside-out perspective, beginning from the factory where the business focuses on existing products and concentrates on short-term sales with little concern for the customer, whereas the marketing orientation takes an outside-in perspective, which results in a customer-driven business focus (Armstrong *et al.*, 2012:14). The marketing concept is discussed in more detail in section 3.3.

Figure 3-2: The sales era versus the marketing era



Source: Adapted from Armstrong *et al.* (2012:14) and Kotler and Armstrong (2014:32).

3.2.4 The relationship era (since 1990s)

The fourth orientation in the history of marketing developed during the 1990s, and still remains to increase in significance as businesses focus on developing and maintaining mutually beneficial, long-term, value-added, cost-effective relationships with individual customers, suppliers, employees and other partners (Boone & Kurtz, 2014:10). During this time, businesses concentrated on gathering continuous information about their customers, communicating this information to all of the business departments as well as implementing gathered information in order to deliver customer value (Kerin *et al.*, 2009:19). Businesses started to realise the importance of identifying the needs of the customer as well as the importance of determining target markets that should be a priority to the business. This results in achieving sales by means of effective marketing programmes (Dibb *et al.*, 2012:20).

During this era, every effort of the business was aimed at building relationships with customers, where every employee of the business cooperates to ensure the best possible customer satisfaction with both excellent product quality as well as outstanding service (Cant & Van Heerden, 2013:15). Marketing is influenced by continuous change and one of the greatest changes faced by businesses worldwide is that customers are becoming more demanding and selective (McDaniel *et al.*, 2014:91). According to Dibb *et al.* (2012:20), businesses can effectively respond to this change by focusing their attention on relationship marketing strategies, as relationship marketing repeatedly deepens the trust the customer holds towards the business.

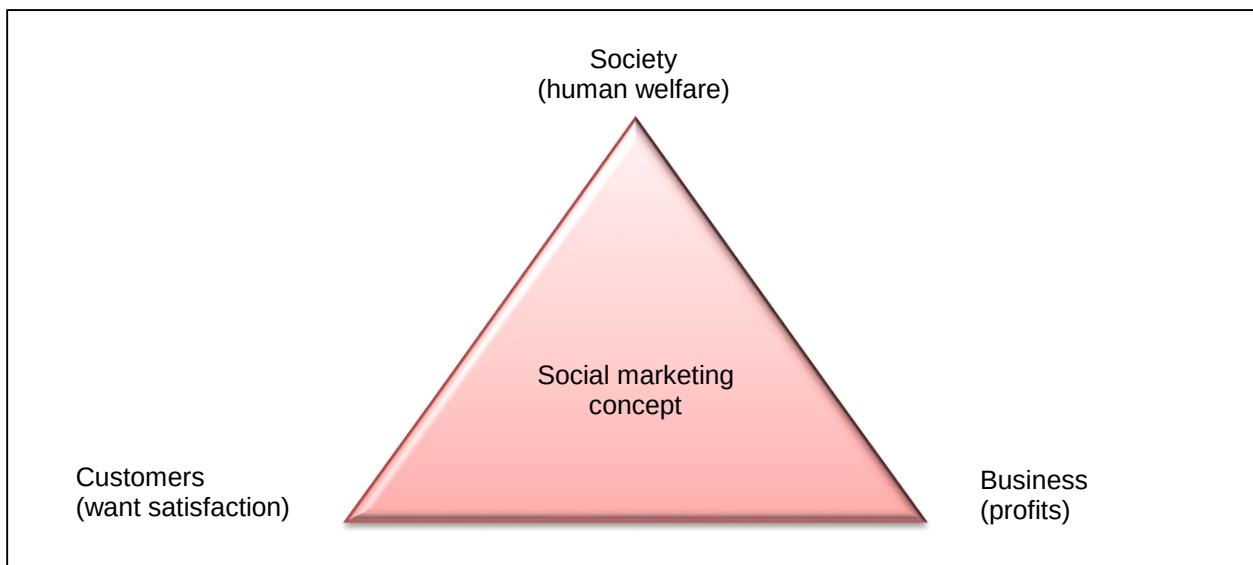
Consequently, customer confidence develops as the business' understanding of customer needs improves, which enables the business to strive successfully to respond correctly to the needs of

their customers and increase customer value over time (Dibb *et al.*, 2012:20). Subsequently, Cant and Van Heerden (2013:15) argue that relationship marketing evolved as a consequence of the customer's need for honest and open communication from the business.

3.2.5 The social era (since 2000s)

In this, the social era, businesses realise that they exist as part of the greater society and that they are accountable to society for their actions (Cant & Van Heerden, 2013:10). According to Lamb *et al.* (2013:6), societal philosophy states that the existence of a business is not only to satisfy customers' wants and needs, or to meet the objectives of the business, but also to preserve and improve the best interests of individuals and of society in the long term. In this era, social responsibility is demonstrated by funding projects that contribute to the well-being of the community at large as well as the welfare of the employees in addition to the promises by businesses to refrain from any action that is in conflict with present norms and ethical principles (Cant & Van Heerden, 2013:10). This is why marketing coordination is essential, as it conveys the level to which businesses accept the marketing concept (Schiffman & Kanuk, 2010:26). Figure 3-3 illustrates the three focal reflections that are essential to the social marketing concept, including business profits, customer wants as well as the interests of society.

Figure 3-3: Three essential reflections of the social marketing concept



Source: Adapted from Armstrong *et al.* (2012:16).

Figure 3-3 illustrates how businesses should aim to balance the three main considerations of the social era (satisfying the wants of their customers, profits of the business as well as the welfare of society) when they are setting their marketing strategies (Armstrong *et al.*, 2012:17).

- **Want satisfaction:** The first consideration of the social era is to satisfy customers by meeting or exceeding their expectations during an exchange (Strydom, 2011:6).
- **Profit:** The central objective of all businesses is to survive and grow by means of generating profit, as no business can persist without it (Armstrong *et al.*, 2012:14).
- **Human welfare:** This consideration entails that marketing strategies should deliver value to customers in a manner that maintains or improves both the welfare of the consumer and the well-being of society (Armstrong *et al.*, 2012:14).

Following the discussion of the different marketing, it is important to understand the marketing concept, which developed as a result of these evolving business philosophies. The marketing concept is discussed in the following section.

3.3 THE MARKETING CONCEPT

The marketing concept evolved into an understanding that success in the business is influenced by satisfactory product and/or service offerings to target markets, based solely on the needs and wants of these markets (Schiffman & Kanuk, 2010:26). By successfully implementing the marketing concept, businesses can ensure that they satisfy their customers' needs, as well as meet their business objectives through a coordinated set of activities (Hult *et al.*, 2012:11).

According to Dibb *et al.* (2012:19), the aim of the marketing concept is to determine which products would satisfy or delight customers, to produce these products, and to continue to modify, adjust and improve these products to keep customers satisfied (and even loyal) despite their changing wants and preferences. This ultimately means that all the functions of the business should work together in order to satisfy customers' wants and needs in an attempt to achieve lasting success and sustainability (Babin & Harris, 2014:328).

Dibb *et al.* (2012:19) further emphasise that the marketing concept should not be regarded as a different definition for marketing, but that it should rather be viewed as a way of thinking (a philosophy) that guides the overall activities of businesses, which is beneficial to both the business and its customers.

A clear shift in the perspective from individual transactions to long-lasting relationships is seen in the evolution of marketing, as businesses are faced with the challenge to generate and enhance customer value and sustained market competitiveness (Nammir *et al.*, 2012:27). A business stands the best chance of maximising profitability through understanding customer needs and wants by offering goods and services that satisfy customers' needs and create value (Strydom, 2011:4). Marketing plays an integral part in businesses, and the focus is shifting and evolving to

a new logic based on delivering service that is interactional and co-creative of value with a relational core (Vargo, 2009:374).

In order to capitalise on this value, businesses should encourage enduring relationships with their customers – relationships that go beyond awareness, satisfaction, retention and loyalty (Sashi, 2012:257). Consequently, in order to satisfy customer needs and to ensure further exchanges based on satisfaction, it is essential to manage and improve long-term relationships with customers in order to allow businesses to survive in competitive markets (Berndt & Tait, 2012:7; Little & Marandi, 2006:25; Yen *et al.*, 2015:172). The existing marketplace demands that businesses establish a competitive advantage, which can only be done by means of interacting and relating with customers beyond traditional marketing strategies (Raza & Rehman, 2012:5085). According to Wilson *et al.* (2012:152), a great number of service providers fail to understand their customers, because they fail to focus on developing customer relationships. These service providers are very often only concentrating on obtaining new customers instead of viewing customers as important assets which they need to nurture and retain. Furthermore, the importance to develop relationships with customers in a service setting is twofold. Firstly, service providers can use their enduring relationships with customers as a way of differentiating themselves from competitors, and secondly, these relationships are financially more profitable for the service provider (Palmer, 2011:198). This is the fundamental purpose of relationship marketing and, according to Boshoff and Du Plessis (2009:316), it is therefore necessary for service providers to examine relationship improvement with their customers. Section 3.4 consequently provides a detailed explanation of the concept of relationship marketing.

3.4 RELATIONSHIP MARKETING

According to Armstrong *et al.* (2012:17), understanding the necessity of managing business relationships is conceivably the most important notion in modern marketing yet. Marketers have started to realise that the exchange between a business and its customers constitutes a relationship. According to Babin and Harris (2014:303), customers hold a lifetime value to the business. In order to understand relationship marketing better, it is firstly important to know how the concept of relationship marketing is defined.

3.4.1 Defining relationship marketing

In literature, a number of different definitions of relationship marketing exist and, despite the fact that relationship marketing is widely researched, there seems to be general disagreement about what constitutes relationship marketing. The following definitions were formulated over the years.

- Relationship marketing was initially introduced by Berry (1983:25), who defined it as attracting, preserving and enhancing customer relationships.
- Correspondingly, relationship marketing was defined by Shani and Chalasani (1992:34) as a joined effort to identify, preserve and develop a relationship with individual customers, as well as to strengthen the relationship continuously by means of interactive, customised and value-added exchanges over an extended period for the shared advantage of both the business and the customer.
- Morgan and Hunt (1994a:34) also contributed by defining relationship marketing as all marketing activities that are focused on creating, developing and preserving successful relational interactions.
- Grönroos (1994:9; 1996:11; 1997:407) defines relationship marketing as the intention of identifying, establishing, preserving and improving relationships with customers and other shareholders, with the aim of meeting the objectives of all parties involved by mutual exchange and the fulfilment of promises at a profit for the business.
- Furthermore, relationship marketing is defined by Gummesson (2006:3) as marketing activities, strategies and approaches centred on interaction in relationship networks.
- Relationship marketing is also defined as the planning and creating of customised and tailored communication activities with the intention of earning a direct response from the customer, which results in the preservation of long-term relationships with customers (De Azevedo & Pomeranz, 2008:6).
- Moreover, relationship marketing is concerned with the management and improvement of relationships between businesses and their customers for long-term profitability (Baran *et al.*, 2008:8).
- Palmatier (2008:5) defines relationship marketing as the process of improving business performance by identifying, developing, maintaining and even ending customer relationship exchanges.
- Relationship marketing builds resilient, long-lasting relationships with a selected collection of customers by providing them with a personal connection to the business as well as creating good customer feelings regarding their business interaction (Schiffman & Kanuk, 2010:506).
- Relationship marketing is also defined as marketing activities that are aimed at increasing repeat exchanges in order to enhance business success (Babin & Harris, 2014:11).
- Relationship marketing is similarly recognised as an approach that aims to retain and increase the relationship with existing customers (McDaniel *et al.*, 2013:10).

- According to Hult *et al.* (2012:14), relationship marketing refers to enduring mutually beneficial activities in which the business and the customer focus on the improvement value by creating more satisfying exchanges.
- Additionally, relationship marketing concerns the facilitation and management of the relationship between the business and its customers (Berndt & Tait, 2012:7).

From the above definitions of relationship marketing, it is evident that certain universal elements, as presented in Table 3-1, can be identified.

Table 3-1: Universal elements in relationship marketing

Relationship marketing is	Author(s)
...a joint business that includes all marketing activities	Morgan and Hunt (1994a:34), Palmatier (2008:5), Shani and Chalasani (1992:34)
...about identifying relationships with individual customers and shareholders	Grönroos (1994:9; 1996:11; 1997:407), Palmatier (2008:5), Shani and Chalasani (1992:34)
...about developing customer relationships	De Azevedo and Pomeranz (2008:60), Grönroos (1994:9; 1996:11; 1997:407), Morgan and Hunt (1994a:34), Palmatier (2008:5), Shani and Chalasani (1992:34)
...about preserving customer relationships	Berry (1983:25), De Azevedo and Pomeranz (2008:6), Grönroos (1994:9; 1996:11; 1997:407), Morgan and Hunt (1994a:34), Palmatier (2008:5), Shani and Chalasani (1992:34)
...about enhancing customer relationships	Baran <i>et al.</i> (2008:8), Berry (1983:25), Grönroos (1994:9; 1996:11; 1997:407)
...about continually strengthening the relationship by means of customised, interactive, value-added exchanges	De Azevedo and Pomeranz (2008:6), Gummesson (2006:3), Morgan and Hunt (1994a:34), Shani and Chalasani (1992:34)
...focused on building relationships over an extended period of time	De Azevedo and Pomeranz (2008:6), Shani and Chalasani (1992:34)
...mutually beneficial for the business and its customers	Baran <i>et al.</i> (2008:8), Grönroos (1994:9; 1996:11; 1997:407), Shani and Chalasani (1992:34)

From the above definitions, relationship marketing is summarised and defined for this particular study as follows:

Relationship marketing is a joint effort from the business that includes all marketing activities aimed at planning, identifying, attracting, developing, preserving, retaining and enhancing long-lasting, strong and successful relationships with individual customers and shareholders as well as to strengthen this relationship continuously by means of interactive, customised and value-added exchanges over an extended period of time for the purpose of attaining mutual benefit for both the business and

the customers as the objectives of all parties involved will be met at a profit for the business.

3.4.2 Relationship marketing elements

From the above definition of relationship marketing, it is clear that various relationship marketing elements exist. These elements can be regarded as interconnected, as they are mutually connected and related to each other. This interconnectedness is explicated as follows:

- Relationship marketing is embraced when all functions in the business are aimed at coordinating the activities of the business to be relationship-oriented, which embraces all **marketing activities** that are customised and specifically contain communication activities aimed at customers and shareholders (Palmatier, 2008:5).
- Businesses want to identify with their **customers and shareholders** (i.e. people who purchase goods and services from the business, as well as business partners and society at large) with the purpose of developing strong customer relationships with them (Lamb *et al.*, 2013:3).
- Businesses focus on **building** relationships with their customers as they realise that it is no longer wise for businesses simply to rely on their goods and services to survive, but rather that they should develop relationships with customers to gain a competitive advantage (De Azevedo & Pomeranz, 2008:6; Yen *et al.*, 2015:172).
- However, businesses cannot devote all of their energy only to developing relationships with customers, as successful relationships have to be **preserved** and **maintained** over a long period of time (De Azevedo & Pomeranz, 2008:6; Grönroos, 1997:407).
- Consequently, when a business develops and maintains relationships with customers over an extended period of time, the relationship strengthens and is **enhanced** (Baran *et al.*, 2008:8; Gummesson, 2006:3).
- Businesses can additionally strengthen or enhance the relationship they have with their customers by **customising** their exchanges, while offering a more **interactive** and **value-added** exchange opportunity (Morgan & Hunt, 1994a:34).
- Finally, the successful development and preservation of strong relationships with customers will be mutually beneficial for both businesses as well as their customers (Baran *et al.*, 2008:8; Grönroos, 1997:407).

In order to understand the relationship marketing concept better, it is important to know how relationship marketing differs from transactional (traditional) marketing. Section 3.4.3 therefore focuses on distinguishing between relationship marketing and transactional marketing.

3.4.3 Relationship marketing versus transactional marketing

According to Gummesson (2006:17), relationship marketing is often presented as a contrasting concept to transactional marketing. Table 3-2 presents a compilation of fundamental differences between relationship marketing and transactional marketing.

Table 3-2: Differences between relationship marketing and transactional marketing

Criterion	Relationship marketing	Transactional marketing
Primary object	Relationship	Single transaction
General approach	Interaction-related	Action-related
Perspective	Evolutionary and dynamic	Static
Basic orientation	Implementation-oriented	Decision-oriented
Long-term vs. short-term	Generally takes a long-term perspective	Generally takes a short-term perspective
Fundamental strategy	Maintenance of existing relationships	Acquisition of new customers
Focus in decision process	All phases focus on post-sales decisions and action	Pre-sales activities
Intensity of contact	High	Low
Degree of mutual dependence	Generally high	Generally low
Measurement of customer satisfaction	Managing the customer base (direct approach)	Monitoring market share (indirect approach)
Dominant quality dimension	Quality of interaction	Quality of output
Production of quality	The concern of all	Primary concern of production
Role of internal marketing	Substantial strategic importance	No or limited importance
Importance of employees for business success	High	Low
Production focus	Mass customisation	Mass production

Source: Adapted from Hennig-Thurau and Hansen (2000:5).

As seen in Table 3-2, one of the first differences between relationship marketing and transactional marketing is the primary objective. Transactional marketing only aims to create a single transaction whilst relationship marketing aims to create repetitive transactions (i.e. a relationship) with the customer (Veloutsou *et al.*, 2002:435). Furthermore, relationship marketing follows an interaction-related approach with an evolutionary and dynamic long-term perspective.

Additionally relationship marketing is to retain existing customer relationships with after-sales decisions and actions that have a high intensity of contact with an understanding of the high degree of mutual dependence between the business and the customers (Brito, 2011:68). Similarly, the quality of interaction is very important with the focus on customisation and value for

employees who interact with customers. Lastly, customer satisfaction is measured in relationship marketing with a direct approach by managing the customer base (Hennig-Thurau & Hansen, 2010:5). On the other hand, transactional marketing follows an action-related approach with a static, short-term perspective (Brito, 2011:70). Transactional marketing also aims to acquire new customers with pre-purchase activities. The contact between the business and the customers remains low and the two are not mutually dependent on each other. Customer satisfaction is measured during transactional marketing by monitoring market share, and the primary concern of the business is production (Hennig-Thurau & Hansen, 2010:5).

The main focus of the transactional marketing concept has been to convince existing or new customers to purchase products and/or services by exposing customers to a number of competing products and/or services where they can to make independent choices between the options as presented (Little & Marandi, 2006:25). However, in transactional marketing, the business and the customer have competing interests, as the business has to motivate customers who may not want to purchase a product and/or service (Berndt & Tait, 2012:5). Furthermore, markets have become matured, which has made it important for businesses to aim to retain customers rather than merely attracting new ones (Hennig-Thurau & Hansen, 2010:5). Similarly, the necessity for relationship marketing was increased by the presence of intensified rivalry, greater market fragmentation than before, the changing of long product life-cycles to shorter product life-cycles as well as greater difficulty and attentiveness of customers (Gilaninia *et al.*, 2011:787).

Relationship marketing developed to help businesses satisfy existing customers' needs to ensure future transactions as customer retention is based on customer satisfaction (Berndt & Tait, 2012:7; Little & Marandi, 2006:25). Relationship marketing is centred on the establishment, maintenance and improvement of win-win long-term relationships with customers, as well as long-term profitability with customers instead of merely attracting new customers (Gilaninia *et al.*, 2011:787; Zineldin & Philipson, 2007:230).

In order to survive in today's competitive marketplace, it is vital to manage and develop customer relationships successfully (Yen *et al.*, 2015:172). Today's marketplace demands a competitive edge that can be established by interacting with customers with the focus beyond the traditional marketing strategies, and the importance of relationship marketing as an integral part of marketing strategy contributes towards obtaining this competitive advantage (Raza & Rehman, 2012:5085). Consequently, a relationship marketing approach that is customer-centred is important for businesses as they can experience benefits such as increased customer retention, loyalty, profits and decreased marketing costs (Stavros & Westberg, 2009:308). The next section provides the various benefits that result from successful relationships between the business and its customers or shareholders.

3.4.4 Relationship marketing benefits and drawbacks

An increasing recognition of the benefits of relationship marketing from the perspective of both the business and the customer is acknowledged in literature (Harwood *et al.*, 2008:11). In this section, the benefits of relationship marketing are discussed and a review on existing disadvantages is also provided.

3.4.4.1 Benefits of relationship marketing for the business

Seen from the perspective of the business, it is crucial to protect the customer base as a result of increased competition and market fragmentation (Harwood *et al.*, 2008:11). Some of the benefits of relationship marketing for the business are discussed below:

(i) Reduced costs

It is more cost-effective to retain existing customers than to win new customers (Belanche, 2013:80; Harwood *et al.*, 2008:11; Little & Marandi, 2006:33). According to Lamb *et al.* (2015:14), it is expensive for a business to attract new customers and therefore, relationship marketing results in lower costs for the business. Wilson *et al.* (2012:146) support this by affirming that businesses have numerous expenses when attracting new customers, including advertising and promotional costs, operational costs and time costs, which do not come into play when customers are retained. Consequently, customer acquisition costs decrease as a result of the use of relationship marketing and sales expenses also decline, as loyal customers are known to respond positively towards marketing efforts from the business with which they have a relationship (Stone & Woodcock, 1995:10).

(ii) Increased profitability

Additionally, the relationship for the business becomes more profitable as the link that exists between the business and its customers becomes longer and stronger (Little & Marandi, 2006:33; Wilson *et al.*, 2012:146). It has been widely accepted across a variety of industries that profits increase when businesses retain their customers rather than attempt to acquire new customers (Harwood *et al.*, 2008:11). Correspondingly, an enduring relationship with customers has a positive effect on the profitability of a business as these customers are also expected to purchase additional products and/or services (Liang & Wang, 2006:124).

(iii) Increased customer loyalty

Businesses may also experience an increase in customer loyalty (Little & Marandi, 2006:33; Steyn *et al.*, 2008:140). The main reason why businesses aim to establish long-term

relationships with their customers is to ensure that customers are retained and remain loyal (Blythe, 2006:378). Loyal customers develop an emotional connection with the business, and an increase in customer loyalty will result in customer repurchases, as they feel compassion for the business (Berndt & Tait, 2012:27).

(iv) Create customer advocates

Additionally, relationship marketing goes beyond creating mere customer loyalty and, as the relationship strengthens, relationship marketing may create customer advocates who will refer the products and/or services of the business to others (Harwood *et al.*, 2008:12; Wilson *et al.*, 2012:147). In section 3.3.7, more information is provided about the importance of customer advocates during the various stages of relationship development.

(v) Adds value

Relationship marketing also adds value to a product and/or service by the provision of demand peripherals, such as social exchange and customer care, which results in an opportunity for the business to charge premium prices (Grönroos, 2004:99; Harwood *et al.*, 2008:12; Harwood & Garry, 2006:108). The value that a customer obtains from the consumption of products and/or services is the first component in building relationships with customers (Blythe, 2006:368). Consequently, a relationship between a business and its customers is only possible once the business delivers superior customer value on a regular basis (Steyn *et al.*, 2008:140).

(vi) Competitive advantage

Another benefit of relationship marketing for a business is the achievement of a competitive advantage (Hunt *et al.*, 2006:77; Little & Marandi, 2006:33). According to Raza and Rehman (2012:5085), a competitive advantage can be developed by implementing relationship marketing strategies to improve the interaction with customers as well as to increase the business' connection and understanding of their customers.

3.4.4.2 Benefits of relationship marketing for the customer

From the customer's perspective, relationship marketing can be beneficial as customers can experience increased trust, added value, confidence benefits, social benefits and special treatment benefits. These benefits are discussed below.

(i) Increase in trust

Relationship marketing can benefit customers as it increases the *trust* that the customer has in the business (Grönroos, 2004:99; Hunt *et al.*, 2006:76; Little & Marandi, 2006:33). Trust is essential to create long-term relationships with customers (Steyn *et al.*, 2008:140). Similarly, Liang and Wang (2006:126) state that it is very important to create trust in the beginning of a relationship because trust forms the basis of stable relationships. Trust can be developed when the business perceives the relationships with their customers as valuable and have an intention to invest in and commit to, by keeping the promises made and delivering promises that customers believe will be fulfilled (Gummesson, 2006:23). The heart of trust can be found in the customers' perception of the capability, consistency and truthfulness of the business (Steyn *et al.*, 2008:142).

(ii) Added value

Customers furthermore expect benefits of high-quality service, customised products and feeling valued by the business (Hunt *et al.*, 2006:76; Little & Marandi, 2006:33). This recognition of being addressed by name or receiving personalised products and/or services can result in customers who feel valued with a perception that the business understands their specific preferences and expectations (Buttle, 2004:27).

(iii) Confidence benefits

Customers also benefit from relationship marketing as they experience confidence benefits as a result of reduced risk, uncertainty and stress or anxiety as the relationship becomes more predictable. This allows businesses to become more knowledgeable about the customers' requirements and needs (Grönroos, 2004:99; Hunt *et al.*, 2006:76). Furthermore, elevated perceived risk levels, namely performance risk, physical risk, monetary risk, social risk and psychological risk can be reduced by the business with the application of successful relationship marketing strategies (Buttle, 2004: 27). According to Yen *et al.* (2015:184), confidence benefits lead to higher levels of customer satisfaction and loyalty.

(iv) Social benefits

Additionally, customers experience social benefits, which results in developing a friendship with the business (Little & Marandi, 2006:33). Social benefits are also related to the time, energy and efforts of the customer (Taleghani *et al.*, 2011:80). These benefits pertain to the emotional part of the relationship, and are characterised by personal recognition of

customers by the employees of the business and even the friendships forged between the customers and the employees of a business (Hennig-Thurau *et al.*, 2002:234). An example of how social benefits could be increased by the business is to acknowledge the birthday of the customer or those of the customer's family members by offering free goods or services which, according to Bergeron *et al.* (2008:171) and Ruiz *et al.* (2007:1091), will further increase customer trust, satisfaction, purchase intentions and positive word of mouth, which will also improve the interaction, friendships, acknowledgement and involvement between the business and its customers.

(v) Special treatment benefits

Lastly, customers also get special treatment benefits when their services are customised to their specific needs (Hunt *et al.*, 2006:76; Little & Marandi, 2006:33). These benefits include price breaks, faster service and individualised additional services provided to the customer (Hennig-Thurau *et al.*, 2002:234; Taleghani *et al.*, 2011:81). These relationship benefits exist above and beyond the core services provided (Hennig-Thurau *et al.*, 2002:234). Furthermore, special treatment benefits encourage customers to develop and maintain relationships with a business (Yen *et al.*, 2015:176).

3.4.4.3 Drawbacks of relationship marketing

Despite the fact that relationship marketing holds numerous benefits for both the business as well as the customer, several probable drawbacks of developing relationships also exist. These disadvantages are summarised in Table 3-3.

Table 3-3: Drawbacks of relationship marketing

Drawback	Description
Loss of control	Firstly, businesses can experience a loss of control over matters such as resources, activities and intentions.
Indeterminateness	Additionally, a relationship is bound by continuous change with an uncertain future that creates the disadvantage of indeterminateness, as a relationship is determined by history and current events as well as the expectations of all parties of future events.
Demanding resources	Furthermore, it takes effort to maintain and build relationships with customers, and a business can experience demanding resources in concentrating on maintaining these relationships.
Preclusion from other opportunities	Similarly, the business might need to prioritise the use of limited resources and it may not always be possible to pursue all of the individually attractive opportunities.

Table 3-3: Drawbacks of relationship marketing (cont.)

Drawback	Description
Unexpected demands	The relationship between the customer and the business may result in obligations or expectations by other customers of specific behaviour.
Time, cost and effort	Lastly, it is clear that developing and maintaining a relationship require time, cost and effort on the part of all parties involved.

Source: Adapted from Buttle (2009:40) and Little and Marandi (2006:33-34).

3.4.5 Characteristics of relationship marketing

From the literature, a number of characteristics of relationship marketing were identified, namely long-term orientation, commitment and fulfilment of promises, customer share, customer lifetime value, two-way dialogue and customisation. Each of these characteristics is briefly explained.

3.4.5.1 Long-term orientation

One of the basic features of relationship marketing is its long-term nature where the success of customer relationships is measured by the length of the relationship (De Azevedo & Pomeranz, 2008:6; Little & Marandi, 2006:28). Gummesson (2006:22) emphasises that long-term relationships form the basis of relationship marketing and explains that a long-term relationship is effective for all parties involved. Relationship marketing involves the estimation of customer lifetime value, and based on this value, the relationship is maintained over the years (Little & Marandi, 2006:28; Pitta *et al.*, 2006:423). Furthermore, Baran *et al.* (2008:8) and Gummesson (2006:15) explicate that businesses are making the duration of the customer relationships a key marketing goal as long-term collaboration is a crucial feature of relationship marketing.

3.4.5.2 Commitment and fulfilment of promises

If a relationship is important, parties become dependent on it and therefore must commit to making it work, and this is particularly applicable in relationship marketing (Gummesson, 2006:22). Relationship marketing further suggests that trust has to be present in the relationship between the business and the customers, where each party trusts that the other will keep its promises besides delivering promises, and believes that the relationship is valuable enough to invest in and commit to it (Steyn *et al.*, 2008:140). It is important in relationship marketing to nurture trust and commitment as satisfaction alone does not necessarily lead to customer loyalty (Little & Marandi, 2006:28).

3.4.5.3 Customer share

Relationship marketing takes the emphasis away from focusing on market share or rewarding employees for new business that they procure, and concentrates on retaining customers and attempt to get a bigger “wallet-share” over time (Armstrong *et al.*, 2012:24). When businesses concentrate on customer share, a long-term orientation is implied and as a result, success is measured and rewarded differently (Baran *et al.*, 2008:8; Little & Marandi, 2006:29).

3.4.5.4 Customer lifetime value

The lifetime value of a customer is a vital element in the practice of relationship marketing (Armstrong *et al.*, 2012:64). In order for any customer relationship to be profitable for the business, numerous purchases must first be made by the customer according to Pitta *et al.* (2006:423). It is not viable for a business to invest in long-term relationships with all its customers as not all customers would necessarily be interested in such a relationship (Little & Marandi, 2006:29).

The business should identify those customers who are willing to develop a long-term relationship with the business and, in doing so, the business should aim to forecast their lifetime with the business in order to identify those customers who would be profitable as a result of a relationship (Buttle, 2009:36). Customer lifetime value is defined by Baran *et al.* (2008:28) as the present value of the stream of future profits that is expected over the customer’s lifetime purchases.

Many businesses use the customer pyramid as shown in Figure 3-4 to divide customers into four segments, based on the profitability of the customers for the business (Berndt & Tait, 2012:33). This pyramid was first postulated by Zeithaml *et al.* (2001:123) who classified customers into a four-tier system based on different expected levels of profit they hold for the business. The four segments are explained below.

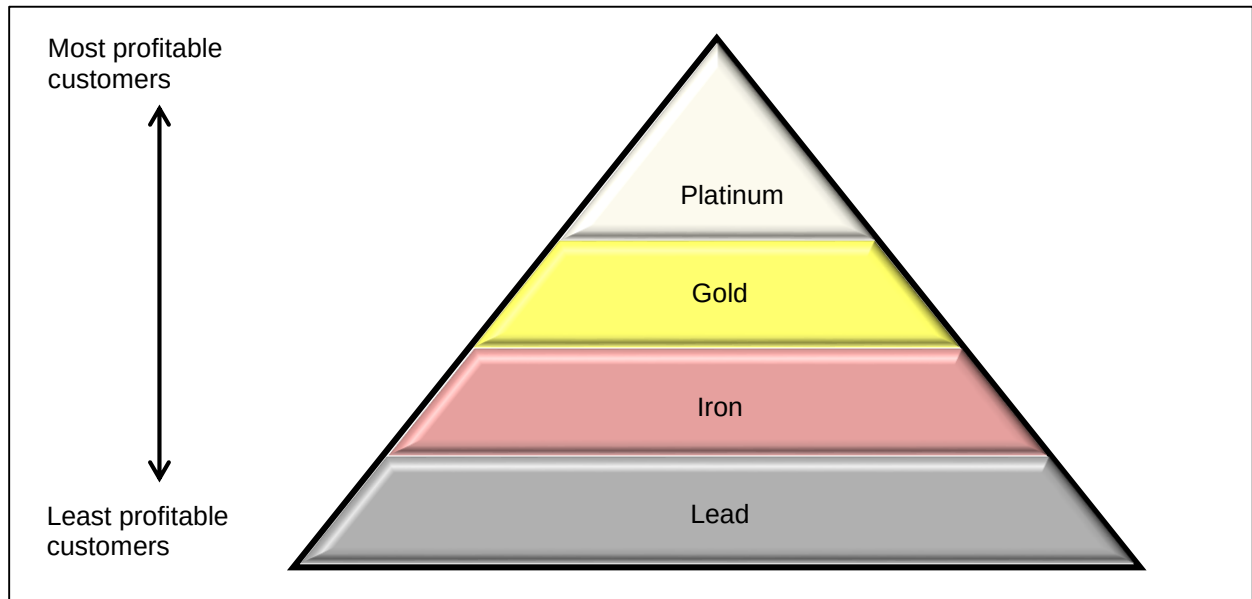
The pyramid uses four names of metals to indicate the value or profitability that a customer holds for the business, namely platinum, gold, iron and lead (Pitta *et al.*, 2006:426). The four segments are explained briefly below.

(i) Platinum segment

The platinum segment comprises all customers that fall in the top 25% of customer lifetime value for the business, and refers to the most loyal customers who place value on quality services and who are not as price-sensitive (Schiffman & Kanuk, 2014:12). According to Pitta *et al.* (2006:426), this tier comprises the utmost profitable customers for the businesses as these customers are repeated users of products and/or services, are believed not to be

price-sensitive, are committed to the business, and are willing to invest in and try new product and/or service offerings.

Figure 3-4: The customer pyramid



Source: Adopted from Berndt and Tait (2012:33).

(ii) Gold segment

The next 25% of customers have a lower customer lifetime value than the platinum segment. They are more price-sensitive than the platinum group, but still purchase a significant number of products. These customers are, however, not as loyal to the business as the platinum group as they would support competitors as well (Berndt & Tait, 2012:33; Schiffman & Kanuk, 2014:12). This still remains an attractive and lucrative tier with good profitability potential for the business as these customers are still frequent users of the product but they also seek price discounts (Pitta *et al.*, 2006:426; Zeithaml *et al.*, 2001:123).

(iii) Iron segment

The iron segment represents a less attractive group of customers but they are still valuable as they provide the volume required to utilise the capacity of the business and should still be retained by the business (Pitta *et al.*, 2006:426; Schiffman & Kanuk, 2014:12). However, these customers have a pliable level of customer lifetime value for the business, as their spending levels, loyalty to the business and profitability are not substantial enough and for this reason they do not deserve special attention (Berndt & Tait, 2012:33).

(iv) Lead segment

The lead segment represents losses to the business, as this customer segment costs more than they generate for the business (Pitta *et al.*, 2006:426; Schiffman & Kanuk, 2014:12). The customers that are included in the lead segment often demand a great deal of attention from the business and are recognised for their minor purchases, which results in a needless expense for the business (Berndt & Tait, 2012:34). Moreover, these customers may pose a potential threat to the business as they have a tendency to expect more than they deserve and are likely to complain to others about the business if they are dissatisfied (Zeithaml *et al.*, 2001:123).

Businesses can utilise the customer pyramid to identify and categorise customers into different tiers based on their profitability for the business in order to build relationships with profitable customers as well as to enhance customer loyalty and build profitability (Pitta *et al.*, 2006:427; Zeithaml *et al.*, 2001:123).

3.4.5.5 Two-way dialogue

Another characteristic of relationship marketing is the facilitation of a two-way dialogue between the business and the customer (De Azevedo & Pomeranz, 2008:6; Little & Marandi, 2006:30). The business can express its concern about customers' well-being by applying honest, regular two-way communication (Berry, 2000:164). Relationship marketing is ultimately about connecting, and partnerships are developed and maintained by means of continuous two-way dialogue and communication. An appropriate relationship marketing system has to provide bounteous opportunity for customers to initiate communication with the business and it is therefore important that the flow of information is a give-and-take process (Little & Marandi, 2006:30).

3.4.5.6 Customisation

As already noted, relationship marketing provides businesses with information regarding customer needs and requirements. This knowledge could be applied by businesses to customise the service to the customer's specifications, and this information will assist the business in the most suitable construction of communication for each customer (Buttle, 2009:193; Hunt *et al.*, 2006:76).

It is further suitable to explain the various drivers of relationship marketing as is done in the following section.

3.4.6 Drivers of relationship marketing

When businesses understand customer consumption expectations and perceptions of quality, they can deliver satisfactory transactions in order to create customer loyalty, trust and commitment over time in order to create meaningful relationships (Little & Marandi, 2006:43).

This section discusses the various drivers of relationship marketing, by focusing on theories behind building relationships with customers through the consistent treatment of the customer over time.

3.4.6.1 Satisfaction

Customer satisfaction is regarded as the key to customer loyalty and customer retention, and refers to the customer's perception of the ability of products and services to satisfy their needs (Belanche, 2013:80; Boshoff & Du Plessis, 2009:93; Kim *et al.*, 2012:59). Satisfaction results from an emotional state, and is influenced by the customer's expectations that are shaped by inimitable personal experiences which differ from customer to customer (Belanche, 2013:80). However, customer expectations increase due to increasingly competitive markets, which makes it more crucial than ever before for businesses to increase the value of product offerings continuously, with the purpose of maintaining customer satisfaction (Little & Marandi, 2006:45). A significant level of satisfaction offers the customer repeated affirmative reinforcement; hence, generating commitment-inducing emotional connections with the business (Hennig-Thurau *et al.*, 2002:237).

Customers are satisfied when their experiences meet their expectations and become delighted when their experiences exceed their expectations (Babin & Harris, 2014:289). This is described by the disconfirmation model that may lead to attitude change based on customer experiences (Egan, 2011:127). When businesses succeed in satisfying customers' needs, these customers tend to display a greater lifetime value for the business, and these are recognised to spread positive word of mouth, are willing to cooperate with the business, and become partners in the relationship with the business (Dorai & Varshney, 2012:407). Lastly, Cant and Erdis (2012:938) confirm that satisfaction lays the foundation for long-term relationships with customers.

3.4.6.2 Relationship quality

In order to create a satisfactory consumption experience for customers, it is important for the business to offer the best product quality since the ability of the product to fulfil the customer's needs will form the basis for the judgement of quality (Yu & Tung, 2012:114). In literature, it is recognised that specific common principles are applied by customers to draw conclusions of

quality relating to reliability, assurance, tangibles, empathy and responsiveness (Berndt & Tait, 2012:50). These common principles are summarised in Table 3-4.

Table 3-4: Common principles of relationship quality

Disadvantage	
Reliability	Reliability is the capability of the business to deliver the promised product and/or service consistently and correctly.
Assurance	Assurance encompasses the employee's ability to inspire trust and assurance in the customer by being professional, knowledgeable and courteousness.
Tangibles	Tangible clues used by customers to judge the quality of products and/or services offered comprise the physical amenities, equipment and physical appearance of employees.
Empathy	The considerate, customised attention that the business provides to customers can also influence their perception of product and/or service quality.
Responsiveness	The enthusiasm of employees and the business to support and help customers as well as the provision of prompt service will influences how the customers perceive quality.

Source: Adapted from Berndt and Tait (2012:50) and Little and Marandi (2006:46).

Thus, in order to deliver good-quality product offerings, the business needs to refer continuously to the customer to recognise important criteria from which quality will be judged (Little & Marandi, 2006:46). Quality consequently signifies the benefits that the customer acquires from an exchange; however, it is important to understand that these benefits come at a cost to the customer. This is discussed under customer value in 3.4.6.3.

3.4.6.3 Customer value

The first element in building relationships with customers is grounded in the value that the customer obtains from a product and/or service, and the relationship is only feasible when the business provides higher customer value on a consistent basis (Blythe, 2006:368; Steyn *et al.*, 2008:140). Customers' perceptions of value should be observed frequently if businesses wish to satisfy their customers, which will develop the trust the customer experiences towards the business and in turn will result in loyal and committed behaviour (Berndt & Tait, 2012:31; Little & Marandi, 2006:48).

These cost considerations include money disbursed on obtaining customers and which comprises advertising and promotions, as well as the cost of goods that are returned (Berndt & Tait, 2012:31). These cost considerations should not only be viewed in terms of money, but also in terms of psychological costs, such as the mental effort spent in worrying that the product and/or service will not offer adequate benefits or time spent in correcting product mistakes (Little &

Marandi, 2006:48). Customers will frequently be willing to pay higher prices for products and/or services that provide them with peace of mind (Berndt & Tait, 2012:31; Little & Marandi, 2006:48).

If the costs outweigh the benefits, customers' satisfaction will disappear, and for that reason, it is not sufficient to determine and/or increase quality alone, but businesses have to understand that the considerations of quality must be balanced against those of cost to the customer (Little & Marandi, 2006:47).

3.4.6.4 Loyalty

The emphasis on the improvement of loyal customers is more crucial now than ever before, because of the increase in competitive markets where customers are pursuing satisfaction from numerous businesses on different occasions (Leverin & Liljander, 2006:254). There are, however, situations where customers stay loyal to a business when they are dissatisfied with the products and/or services, especially when more attractive alternatives are not readily available (Berndt & Tait, 2012:27). As customer satisfaction is important in the development of loyalty, which requires continuous innovation and improvements to the product and/or service offerings (Little & Marandi, 2006:49). Customer loyalty focuses on the repeat buying behaviour of customers, which is initiated by marketing actions (Hennig-Thurau *et al.*, 2002:232).

According to Berndt and Tait (2012:27), a loyal customer has an emotional connection with a business and will continue to support the business beyond reasons such as mere convenience or low prices and specific brands offered, as a loyal customer feels such benevolence toward the business that he or she will even encourage his or her friends and family to support the business (Babin & Harris, 2014:315). Developing customer loyalty is of great importance to businesses, as the more satisfied the customers are, the more resilient the relationship becomes and, correspondingly, the longer the businesses can maintain the relationship, the more profit the businesses stand to generate from that customer (Berndt & Tait, 2012:28).

3.4.6.5 Trust

Trust is regarded as an indispensable element that needs to be present in order to create successful relationships with customers (Belanche, 2013:84; Little & Marandi, 2006:50). Trust is the overall expectancy or expression of confidence held by the customer that the business will keep its promises, will be reliable, has integrity and is fair, responsible, helpful, as well as being benevolent (Berndt & Tait, 2012:25). Furthermore, Steyn *et al.* (2008:141) support this notion by stating that trust entails that the business should keep the promises it makes, uphold visible elements of quality and pay attention to details that matter to its customers. According to Pitta *et al.* (2006:422), trust could decrease the probability that a customer would suffer a loss as it

decreases the perceived risk and strengthens the customer's belief in the prospect of an optimistic outcome. Furthermore, trust is an important element in the relationship building process as trust builds customer confidence, promotes cooperation and increases customer forgiveness when unavoidable mishaps occur (Steyn *et al.*, 2008:141). Trust can therefore be considered a key determining factor of relationship commitment and, according to Pitta *et al.* (2006:422), trust is conceivably the main component that needs to be established initially and it should be developed continually during the lifespan of the customer relationship.

3.4.6.6 Commitment

Commitment follows trust and is more resilient when satisfaction intensities are high, the quality of substitute products and/or services is perceived to be unattractive and the investment from the customer's viewpoint is great (Little & Marandi, 2006:52). Customer commitment refers to the long-term orientation towards a relationship with a business (Hennig-Thurau *et al.*, 2002:232). According to Yu and Tung (2012:114), commitment is an essential representation of good relationships, and signifies the customer's willingness to continue to maintain the relationship. Commitment implies that both parties will be loyal and reliable and that they will show stability in their relationship with each other (Berndt & Tait, 2012:26). Commitment is therefore the attainment of a matured relationship with the desire to maintain the relationship by investing in activities that will maintain the relationship (Berndt & Tait, 2012:26).

3.4.6.7 Shared goals and mutual benefits

Shared goals and mutual benefits are also key factors in building effective relationships, and can be profoundly useful to businesses (Hult *et al.*, 2012:14). The customer as well as the business will be willing to share relevant information and anticipate receiving help from each other to maximise their joint efficiency and combined goal achievement (Berndt & Tait, 2012:26). Once a customer is acquired, the relationship with the business can deliver two different directions, which depend on the level of customer satisfaction, which will have different outcomes for the relationship. This is discussed in 3.4.7, which focuses on the stages of relationship development.

3.4.7 Stages of relationship development

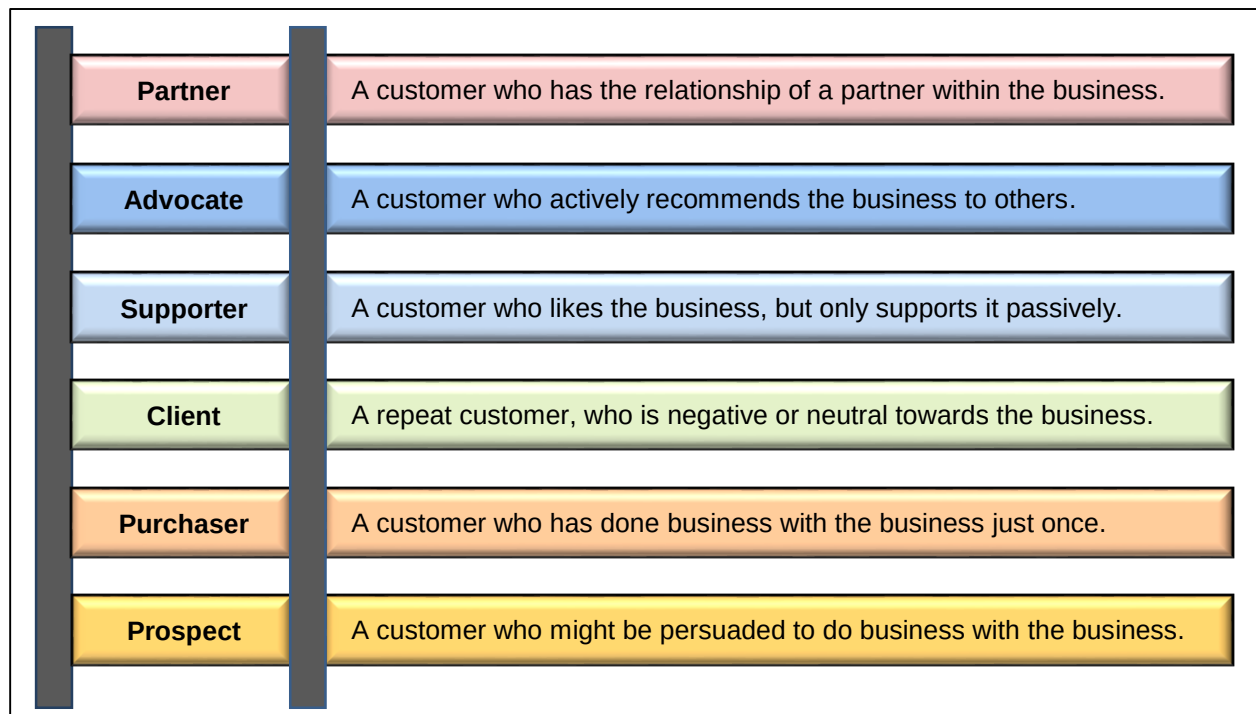
When the business (such as a retail bank) enters into a relationship with a customer and succeeds in satisfying the customer and preserves the satisfaction over the long term, the customer is likely to mature into an enthusiast for the business, which will result in greater loyalty with no consideration for competitive products and/or services and increased support for the entire range of products and/or services that the business offers (Berndt & Tait, 2012:34; Harridge-March & Quinton, 2009:176).

Conversely, when the customer becomes dissatisfied it is probable that he or she may turn into a 'terrorist' who will not purchase any further products and/or services from the business and who might even participate in discouraging other current or prospective customers from dealing with the business (Berndt & Tait, 2012:34).

However, if a business wishes to develop successful relationships with its customers, it is important to understand the different stages of relationship development and the stages of customer attachment to the business. This is illustrated in Figure 3-5, which demonstrates the academically accepted relationship marketing ladder of loyalty.

- **Prospect:** When businesses (retail bank) want to develop relationships with customers, the first step involves the search for potential customers who might want to purchase the products and/or services of the business (Egan, 2004:130; Harridge-March & Quinton, 2009:176). It is important to remember that these prospective customers have limited awareness of the business and this needs to be increased by the business in order to aim to move the customers up the loyalty ladder to become regular purchasers (Berndt & Tait, 2012:35; Egan, 2004:130). Clow and Kurtz (2004:333) conclude by stating that the prospects are seen as the target market of the business.

Figure 3-5: The relationship marketing ladder of loyalty



Source: Adapted from Berndt and Tait (2012:34) and Harridge-March and Quinton (2009:176).

- **Purchaser:** When the business succeeded in persuading a customer to make a purchase, it is vital that the business delivers a satisfactory purchase experience and follow-up interaction that will move the customer to the next rung on the ladder to become a client to the business (Clow & Kurtz, 2004:333; Harridge-March & Quinton, 2009:176).
- **Client:** At this point, the customer is a client who purchases from the business on a regular basis and who becomes increasingly significant as satisfaction is maintained (Berndt & Tait, 2012:35; Egan, 2004:130).
- **Supporter:** A supporter is satisfied with his or her initial experiences and has begun to support the business and is turning into a longer-term buyer who has trust in the business and its offerings (Berndt & Tait, 2012:35; Harridge-March & Quinton, 2009:176).
- **Advocate:** The advocate delivers influential word-of-mouth communication for the business and is so committed to the business that only major violations of trust would weaken this benevolence (Clow & Kurtz, 2004:333).
- **Partner:** Advocates can ultimately develop into partners who are closely linked in trusting and mutually sharing relationships with the business. They include the businesses as main providers of satisfaction to their needs (Egan, 2004:130; Harridge-March & Quinton, 2009:176).

Consequently, it is clear that retail banks should identify prospective customers with the aim of moving them through each level until the customer becomes a partner to the business. However, businesses that are interested in retaining and deepening their relationships with their customers can no longer do so by just offering attractive products, low pricing or even improving customer services and, according to Tripathi (2009:139), should rather start to engage actively with their customers.

The importance of engaging with customers is increasingly receiving attention as businesses that succeed in today's competitive marketplace are considered to be motivated to develop strong relationships with their customers, which motivates them to stay loyal, trusting and compassionate towards the business and its products (Tripathi, 2009:138). Customer engagement is currently regarded as the key to establishing and creating a competitive edge as it is a valuable forecaster of future business success (Brodie *et al.*, 2013:105). Consequently, engaged customer behaviours can contribute positively both to the customer as the business is offering a rewarding customer experience, as well as to the business in the form of cost advantages, customer cooperation, customer feedback, compliance and positive word of mouth (Kumar *et al.*, 2010:298; Van Doorn *et al.*, 2010:254; Verleye *et al.*, 2014:68).

Furthermore, engaged customers are regarded the most credible, trustworthy and effective communication and sales channels available to businesses, and for this reason, it is important to understand and explore this construct in more depth (Roberts & Alpert, 2010:198).

As customer engagement formed a fundamental part of this study, the next chapter focuses on explaining this concept in detail. Chapter 4, therefore, commences with defining customer engagement and continues to explain the different levels and activities of customer engagement, and in addition provides the various benefits and consequences of customer engagement.

3.5 CONCLUSION

This chapter examined the concept of relationship marketing by providing an overview of the development of this concept in marketing. It also provided an explanation of the difference between relationship marketing and traditional transactional marketing theories. The chapter continued to discuss the benefits of relationship marketing for both the business and the customer and also provided insight into the various characteristics, drivers and stages of relationship marketing.

From this chapter, the significance of building and maintaining successful relationships with customers is clear, especially in the competitive market within which businesses are currently immersed, as the development of relationships will provide businesses with a competitive advantage in these challenging times. Furthermore, it is also important to note that times are changing, and in order to create and maintain these important relationships, businesses should start focusing on developing engaged customers.

CHAPTER 4

CONCEPTUALISING CUSTOMER ENGAGEMENT

4.1 INTRODUCTION

In order to conceptualise an understanding of customer engagement, this chapter commences with the theoretical foundation of customer engagement, followed by the importance of exploring customer engagement. Thereafter, the concept of customer engagement is defined, and universal elements identified and discussed. The chapter also focuses on distinguishing customer engagement from various similar marketing constructs and continues to discuss the various activities and levels of customer engagement. Furthermore, the customer engagement cycle is addressed and the chapter concludes with a discussion of the various antecedents and consequences of customer engagement.

4.2 FUNDAMENTALS OF CUSTOMER ENGAGEMENT

According to Ashley *et al.* (2011:749) and Vivek *et al.* (2012:127), the theoretical roots of customer engagement can be observed in the expanded domain of relationship marketing. In Chapter 3, relationship marketing was examined by specifically explaining the benefits of relationship marketing and the importance of relationship marketing in these changing and challenging times for service providers. Additionally, the development of relationship marketing was explained with specific reference to the benefits and drawbacks of relationship marketing from a service business perspective and a customer perspective. The importance of understanding the different stages of relationship development and customer attachment with the service provider was also addressed. Chapter 3 further emphasised the significance of maintaining and building strong relationships with customers, which may aid service providers in the development of a competitive advantage, which could be sustained by the development of engaged customers.

Over the past decades, the focus of relationship marketing research was primarily on enhancing, retaining and maintaining relationships with customers (Vivek *et al.*, 2012:127). In this relationship marketing domain, the business is focused on current customers, potential customers, customer communities, customer value, co-creative networks as well as specific interactive experiences (Banyte & Dovaliene, 2014:486; Brodie *et al.*, 2013:106). According to Fierro *et al.* (2014:68), businesses traditionally also focused on the transactional behaviour of customers (i.e. repurchasing, level of use, and the length of the relationship), as these behaviours generally have an instant effect on sales. However, due to the increasingly competitive climate, a renewed

approach to managing the business is required, one which focuses on customer relationships and which integrates non-transactional behaviour (i.e. word of mouth, blogging and co-creation). Brodie *et al.* (2013:106) further note that in relationship marketing theory, consumer behaviour is renowned to be the core of relationships, based on the relationships with all shareholders and their interactive experiences in co-creative situations.

These interactive customer experiences form the heart of the customer engagement concept. In marketing research, academics are increasingly paying attention to developing the customer engagement concept and studying engaged customers (Javornic & Mandelli, 2012:300). According to Banyte and Dovaliene (2014:486), the key function of customer engagement is based on the extended perspective of relationship marketing theory, which reveals the improvement of valuable, long-term relationships with customers and values co-creation.

With the arrival of the Internet and especially social media, which has a high level of interactivity, managers and practitioners of both consumer and business markets are captivated and interested in the concept of customer engagement as a potential new approach to serve and satisfy their customers better (Sashi, 2012:257). Consequently, the customer engagement concept expands the domain of relationship marketing by focusing on greater interactivity and perceived experiential values (Brodie *et al.*, 2011:253). A review of the most recent and significant literature on customer engagement is presented in Table 4-1.

Table 4-1: Recent and significant literature on customer engagement

Author(s)	Objective of the study	Main contribution(s)	Industry	Focus area
Patterson <i>et al.</i> (2006)	To establish a conceptual understanding of customer engagement.	Identified eight marketing-related constructs and compared these to customer engagement.	Theoretical investigation	Services marketing
Bowden (2009a)	To redirect satisfaction research towards an approach that encompasses an understanding of the role of commitment, involvement and trust in creating engaged and loyal customers.	Proposes a conceptual framework for segmenting customer brand relationships with specific service brands, which aids in developing engagement among differing customer segments.	Online community (Game Club / Facebook)	Brand relationship
Bowden (2009b)	To examine the effect of the consumption stage on customer loyalty to a service brand, with a focus on customer engagement.	Proposes that the role of relational mediators differ across new and repeat purchase customer segments.	Restaurant industry	Hospitality marketing and management

Table 4-1: Recent and significant literature on customer engagement (cont.)

Author(s)	Objective of the study	Main contribution(s)	Industry	Focus area
Tripathi (2009)	To explain the importance of customer engagement in brand building.	Developed theory, which contributes to brand building by utilising customer engagement.	Theoretical investigation	Brand management
Bijmolt <i>et al.</i> (2010)	To discuss how existing knowledge and modelling approaches may be leveraged for model building in a customer engagement context.	Presents analytical models for customer engagement that go beyond models of customer transactions.	Theoretical investigation	Services marketing
Kumar <i>et al.</i> (2010)	To address recent developments in marketing and customer engagement value.	Proposes four components of customer engagement value with a business, namely lifetime value, customer referral value, customer influencer value, and customer knowledge value.	Theoretical investigation	Service research
Roberts and Alpert (2010)	To outline an original business model to assist businesses in achieving business growth by means of customer engagement.	Presents findings of two case studies and illustrates a working model.	Theoretical investigation	Product and brand management
Van Doorn <i>et al.</i> (2010)	To develop and discuss the concept of customer engagement behaviours.	Developed a framework to understand customer engagement behaviours.	Theoretical investigation	Services marketing
Verhoef <i>et al.</i> (2010)	To develop customer engagement within the context of customer management, by presenting a framework that aligns contributions of various articles.	Proposes a conceptual model of antecedents, impediments and business consequences of customer engagement.	Theoretical investigation	Customer management
White <i>et al.</i> (2010)	To examine the link between customer engagement with Internet-based services and how this influences the adoption of a new product or service.	Presents an explanation of how Internet-based services correlate positively with expedited adoption behaviour.	e-Commerce	Technology based services
Brodie <i>et al.</i> (2011)	To explore the theoretical foundations of customer engagement by drawing on relationship marketing theory and service-dominant logic.	Provides a broad theoretical analysis of customer engagement in order to define its conceptual domain, and offers a general definition of customer engagement.	Theoretical investigation	Service research

Table 4-1: Recent and significant literature on customer engagement (cont.)

Author(s)	Objective of the study	Main contribution(s)	Industry	Focus area
Hollebeek (2011a)	To provide a literature review on customer participation and engagement, and develop a customer brand engagement conceptualisation.	Provides a customer brand engagement conceptualisation and theoretical contribution on customer brand engagement strategies and tactics.	Theoretical investigation	Marketing management
Hollebeek (2011b)	To review literature in marketing and other disciplines and develop a tripartite customer brand engagement conceptualisation.	Developed a conceptual model and associated research propositions to guide future research.	Theoretical investigation	Brand management
Van Doorn (2011)	To provide further discussion of the five fundamental propositions developed by previous literature on customer engagement.	Contributes to theory in customer engagement that provides grounds for further discussion based on the fundamental propositions found in literature.	Theoretical investigation	Services marketing industry
Gummerus <i>et al.</i> (2012)	To study the effect of customer engagement behaviour on perceived relationship benefits and relationship outcomes.	Divides customer engagement into community engagement behaviour and transactional engagement behaviour, and provides three relationship benefits.	Online community (Game Club/ Facebook)	Brand management
Javornic and Mandelli (2012)	To explore the behavioural perspective on customer engagement in the social media environment.	Determined that customers are unwilling to engage with brands if they are not being offered a unique value proposition.	FMCG (fast-moving consumer goods)	Brand management
Nammir <i>et al.</i> (2012)	To investigate the effect of relationship market orientation on buyer–seller relationships with an emphasis on customer engagement, relationship quality and relationship performance.	Demonstrates the applicability of customer engagement by connecting it with relationship quality and relationship performance.	Theoretical investigation	Relationship marketing
Sashi (2012)	To attempt to develop a theoretical framework for customer engagement.	Developed a customer engagement cycle.	Theoretical investigation	Marketing management

Table 4-1: Recent and significant literature on customer engagement (cont.)

Author(s)	Objective of the study	Main contribution(s)	Industry	Focus area
Kim <i>et al.</i> (2013)	To explore the underlying dimensions of customer engagement and identify six experience rooms for customer review comments.	Provides a theoretical foundation for understanding customer engagement concepts by the means of brand experience dimensions in social media.	Smartphone	Marketing management
Malciute and Chrysochou (2013)	To contribute to the knowledge of customer engagement with brands in the context of online social media platforms.	Suggests that customer brand relationship related factors influence the level of customer engagement, which will affect the levels of behavioural loyalty and intention to recommend the brand.	Online community (Game Club/ Facebook)	Brand marketing
Stone and Woodcock (2013)	To explain how social media channels enable brands and businesses to engage with customers.	Explains how the effective use of customer management strategies and social media is used throughout the customer management cycle.	Online media (social media channels)	Brand management
Wirtz <i>et al.</i> (2014)	To explore online brand communities and customer engagement from both a customer and business perspective.	Provides a conceptual framework extending the understanding of online brand communities and customer engagement.	Various industries	Marketing management

From the above discussion and Table 4-1, it is evident that the concept of customer engagement has been increasingly explored by a variety of scholars from different disciplines, especially in the field of marketing, services marketing, brand management and marketing management. As Table 4-1 illustrates, the existing research direction is aimed at developing theory and understanding the concept of customer engagement. Researchers are striving to elaborate on customer engagement by developing models, frameworks, stages, outcomes, benefits and activities as well as by uncovering the foundation of customer engagement. Authors such as Bijmolt *et al.* (2010), Hollebeek (2011a; 2011b), Roberts and Alpert (2010), Verhoef *et al.* (2010) and Vivek *et al.* (2012) all aimed to conceptualise customer engagement into an observable model, whilst Bowden (2009b), Van Doorn *et al.* (2010), and Wirtz (2014) aimed to create conceptual frameworks.

Furthermore, the foundation of customer engagement in literature was studied by Bijmolt *et al.* (2010), Brodie *et al.* (2011), Hollebeek (2011a; 2011b), Kumar *et al.* (2010), Nammir *et al.* (2012), Patterson (2006), Roberts and Alpert (2010), Sashi (2012), Stone and Woodcock (2013), Tripathi

(2009), Van Doorn *et al.* (2010), Verhoef *et al.* (2010) and Vivek *et al.* (2012). Other contributions in customer engagement include the components of customer engagement value (Kumar *et al.*, 2010), the customer engagement cycle (Sashi, 2012), in addition to the comparison of related marketing constructs to customer engagement (Patterson *et al.*, 2006). However, even though these researchers agree on the importance of customer engagement, the concept still lacks an agreeable definition, dimensionality and operationalisation (Cheung *et al.*, 2015:1).

Likewise, Javornic and Mandelli (2012:301) as well as Sashi (2012:257) explicate that literature regarding customer engagement is still limited, and customer engagement as a construct in the field of relationship marketing has not yet been explored satisfactorily. Subsequently, a discussion on the importance of utilising customer engagement is necessary, and is provided in the following section.

4.3 IMPORTANCE OF CUSTOMER ENGAGEMENT

The importance of customer engagement cannot be overemphasised. Businesses cannot afford to lose customers or allow them to be wooed away by competitors (Tripathi, 2009:133). Additionally, competition in both goods and service markets are becoming increasingly vigorous, which makes it essential for businesses to search for ways to retain customers (Banyte & Dovaliene, 2014:484).

To further complicate the current market situation, customers' demands are increasing, and their need to participate in the co-creation of products and services is also growing (Banyte & Dovaliene, 2014:484). In addition, customers are better informed, more expectant of goods and services, and also more willing to switch to competitors when they are dissatisfied (Chathoth *et al.*, 2014:181). According to Tripathi (2009:133), valuable customer relationships could be lost if marketers do not understand the needs of their customers. Even beyond mere satisfaction with goods and services, customers increasingly expect to be integral participants in the creation of services (Chathoth *et al.*, 2014:181). Tripathi (2014:126) identified the following specific factors that emphasise the necessity of customer engagement:

(i) Control over marketing communication

Businesses are battling to communicate with customers – as a result of increasingly fragmented audiences – and to deliver their message through the clutter (distractions that could divert or distract customers from receiving the intended communication) (Tripathi, 2014:126). Customer engagement could potentially provide a platform for businesses to keep the customer engaged and involved (Tripathi, 2009:133). This makes it possible for businesses to take back the control over their marketing communications.

(ii) Customers as communicators

According to Fierro *et al.* (2014:68) and Tripathi (2014:126), the recent trend in blogging, web chats and social media has turned the customer into an influential communicator, as these online platforms create a setting where customers are able to discuss, debate, share opinions, criticise and investigate products and services with other customers and peers. These communications are often regarded as more valuable than the communication attempts from the business itself. This has led to a power shift, as customers now hold the power to communicate what they want and when they want it, to whomever they want (Tripathi, 2014:126). However, the evolution of the Internet, and social media in particular, heightens the ability of businesses to facilitate interaction between the customer and the business.

This could also benefit businesses in forming a better understanding of customer needs (Sashi, 2012:255). Therefore, customer engagement could provide the opportunity for sustained conversations that may shape customer perceptions (Tripathi, 2009:133).

(iii) Reduced brand loyalty

With the proliferation of goods, customers are getting more confused, as brands are getting increasingly similar and this may affect the customer's ability to differentiate between brands (Tripathi, 2014:126). Subsequently, customer engagement is a possible differentiator in the customer's purchase decision process (Tripathi, 2009:133). Consequently, the successful application of customer engagement could increase brand loyalty as a result of variation (Cheung *et al.*, 2015:92).

(iv) Media consumption

Lastly, customers access various types of media to search for information. With the advancement of media, and the customers' increased control over media consumption, customers have greater choice about the media they want to consume (Tripathi, 2014:127). According to Sashi (2012:255), the emergence of new technologies and tools enables greater interactivity among customers and the business. Stimulating customer engagement in this context is the best approach to retain or increase loyalty, as customers are actively interested in participating in communication (Tripathi, 2009:134).

The importance of customer engagement is also appreciated in the influence that it has on the future of the business, as customer engagement encourages the establishment of customer loyalty, which generates sales and revenue and also strengthens the reputation of the business

over the long term (Fierro *et al.*, 2014:74). Most successful businesses today are known to build deeply emotional relationships that go beyond rational boundaries with their customers, which motivate customers to stay faithful, trusting and caring towards these brands (Tripathi, 2009:138). Understanding the customer engagement dimensionality will, therefore, aid marketers to engage better with their target markets (Vivek *et al.*, 2014:416). These insights will be especially important to various industries, such as healthcare, education and financial or legal services, where the benefits of customer engagement go further than mere consumption of the focal brand (Van Doorn *et al.*, 2010:263).

It is furthermore important to note that businesses are aiming to survive in a competitive, commoditised and over-communicated world with greater media dilution, customer cynicism and customer control than ever before, which emphasises the development of engaged customers even further (Roberts & Alpert, 2010:198). Customer engagement is regarded as the key to establishing and sustaining a competitive advantage, and is a valuable predictor of future business performance (Brodie *et al.*, 2013:105). If businesses are able to succeed in creating engaged customers, these customers would not only be loyal, but they would also continue to purchase additional product lines, and can thus be viewed as the most credible, trustworthy and effective communication and sales channels currently available to a business (Roberts & Alpert, 2010:198). Consequently, Banyte and Dovaliene (2014:484) state that customer engagement facilitates sales promotion, product quality advances and a rise in customer satisfaction as well as other benefits, such as a reduction in cost and risk besides the realisation of a competitive advantage.

Based on the above discussion on the importance of customer engagement, it is clear that the concept of customer engagement may provide numerous benefits for businesses and customers. To describe customer engagement, the next section focuses on defining the concept of customer engagement by examining the various current presented definitions in literature.

4.4 DEFINING CUSTOMER ENGAGEMENT

Although numerous scholars in various disciplines specify the significance of customer engagement, a satisfactory definition of what the concept involves does not yet exist in marketing literature (Cheung *et al.*, 2015:1). As a result, an array of definitions emerged from the marketing literature since 2006. The following customer engagement definitions were adapted from relevant marketing literature:

- Customer engagement is the level of a customer's different physical, cognitive and emotional presences in his or her relationship with a business (Patterson *et al.*, 2006:1).

- Customer engagement is a psychological process that represents the fundamental mechanisms a business could use to develop customer loyalty amongst new customers of a brand, in order to ultimately encourage repeat purchases (Bowden, 2009a:65).
- Customer engagement is the customer's cognitive and affective commitment to an active relationship with the business or brand as personified by its website or other computer-mediated entities which are intended to communicate brand value. Customer engagement is characterised by the dimensions of dynamic and sustained cognitive processing and the satisfying of both instrumental and experiential value (Mollen & Wilson, 2010:293).
- Customer engagement comprises those customers who are loyal to a business' brand and enthusiastically recommend products and/or services to others (Roberts & Alpert, 2010:254).
- Customer engagement is a customer's behaviour that goes beyond transactions and comprises the customer's behavioural manifestations after a purchase that is business- or brand-focused and which results from motivational drivers (Van Doorn *et al.*, 2010:254).
- Customer engagement is the level of an individual customer's motivational, brand-related and context-dependent state of awareness, characterised by a particular level of cognitive, emotional and behavioural activity in direct brand interactions (Hollebeek, 2011a:790).
- Customer engagement is the level of a customer's presence in the relationship with a service provider (Nammir *et al.*, 2012:30).
- Customer engagement is a concept that goes beyond awareness, acquisition, satisfaction and retention, which creates a collaboration opportunity between the customer and the business, brand, product or service (Sashi, 2012:257).
- Customer engagement is the intensity of customers' participation in and connection with the offerings or activities of the business, which is initiated by either the business or the customer (Vivek *et al.*, 2012:133).
- Customer engagement is a context-dependent psychological state that occurs through interactive, co-creative customer experiences between the customer and the brand and/or other members of the community by means of relationships, and is presented in the customer's expression of applicable cognitive, emotional and/or behavioural activities. Customer engagement is also a concept that occurs under a particular set of context-dependent situations, causing differing engagement levels, and exists as a dynamic, interactive process within service relationships that co-create value (Brodie *et al.*, 2011:260; 2013:107).
- Customer engagement is a psychological process that leads to the creation of loyalty, and is a customer's behavioural manifestation towards a brand or a business beyond purchase that results from motivational drivers, and is characterised by a degree of vigour, dedication,

absorption and interaction that takes place in either an offline or online environment (Greve, 2014:203).

- Customer engagement is the customer's personal connection to a brand as manifested in cognitive, affective and behavioural actions outside of the purchase situation (So *et al.*, 2014:311).
- Customer engagement goes beyond purchase and indicates the level of the customer's (or potential customer's) interactions and connections with the brand or business offerings or activities that often involve others in the social network created (Vivek *et al.*, 2014:406).
- Customer engagement is a customer's positive, rewarding, brand use-associated state of mind that is characterised by vigour, dedication and absorption (Dwivedi, 2015:301).

From the above discussion and the existing customer engagement definitions, it is evident that universal elements can be identified within customer engagement theory, which are presented in Table 4-2, and subsequently discussed in greater detail in section 4.4.

Table 4-2: Identified universal elements of customer engagement theory

Customer engagement	Author(s)
...is a psychological process.	Bowden (2009a:65), Brodie <i>et al.</i> (2011:260; 2013:107), Greve (2014:203)
...leads to the creation of loyalty, encouraging cognitive and affective customer commitment.	Bowden (2009a:65), Greve (2014:203), Mollen and Wilson (2010:293), Roberts and Alpert (2010:254), Van Doorn <i>et al.</i> (2010:254)
...is characterised by a level of cognitive, emotional and behavioural activity.	Brodie <i>et al.</i> (2011:260; 2013:107), Hollebeek (2011a:790), Patterson <i>et al.</i> (2006:1), So <i>et al.</i> (2014:311)
...creates a collaboration opportunity and involves interactive experiences between the customer and the offerings and activities of the business/brand/members of community.	Brodie <i>et al.</i> (2011:260; 2013:107), Roberts and Alpert (2010:198), Sashi (2012:257), Vivek (2009:7), Vivek <i>et al.</i> (2014:406)
...is characterised by a degree of vigour, dedication, absorption and interaction.	Dwivedi (2015:301), Greve (2014:203)

Based on the above existing definitions and universal elements of customer engagement, a definition suitable for this particular study was formulated as follows:

Customer engagement is a psychological process that goes beyond awareness, purchase, satisfaction and retention, which leads to the creation of loyalty, and is characterised by a level of cognitive, emotional and behavioural activity that is interactive and co-creative in the relationship with a business, as well as the intensity of participation and association with the offerings and activities of the business, which either the customer or the business instigates and can result in positive word of mouth

as well as customer loyalty, where customer engagement is characterised by a degree of vigour, dedication, absorption and interaction.

4.5 UNIVERSAL CUSTOMER ENGAGEMENT ELEMENTS

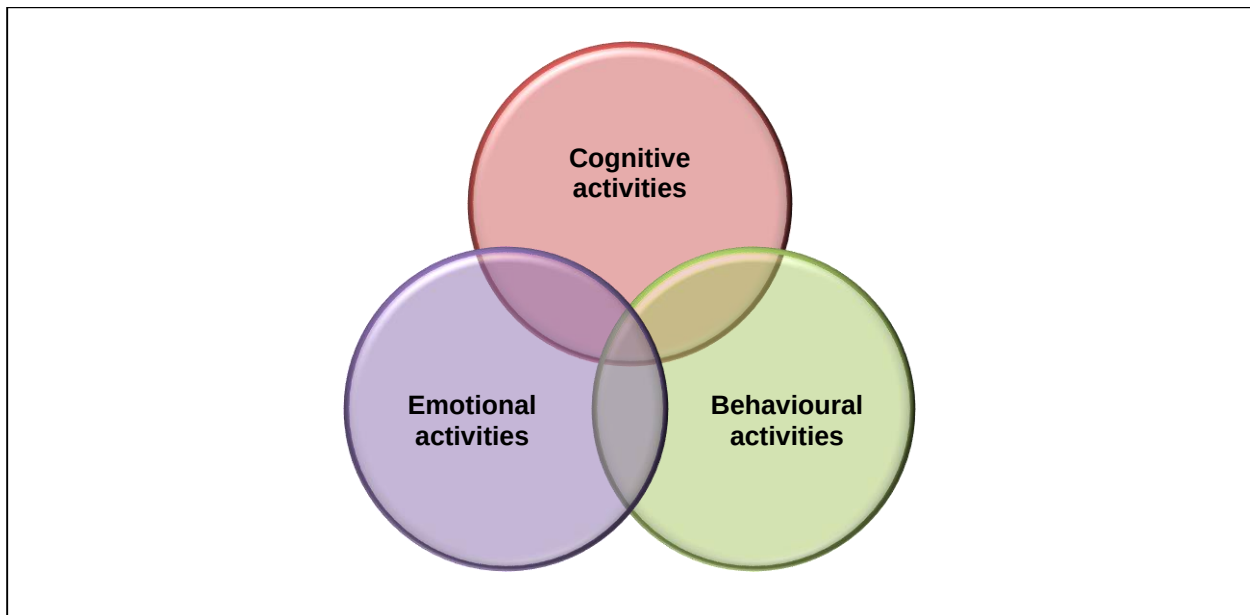
The universal elements of customer engagement that were uncovered in Table 4-2 are discussed below.

4.5.1 Customer engagement is a psychological process

Customer engagement can be observed at a central level at a specified point in time, which reflects a series of accumulated states (Hollebeek, 2013:18). According to Robbins *et al.* (2011:10), psychology is defined as the discipline that seeks to measure, describe and modify human behaviour including aspects such as human learning, perception, personality, emotions, needs and motivational forces, decision-making processes, and attitude measurement. The customer's purchasing decisions are also influenced by psychological factors such as the customer's perception, motivation, learning, beliefs and attitudes, which are used to recognise customers' feelings, gather and analyse information and formulate thoughts and opinions and behave in certain ways (Lamb *et al.*, 2013:95). Importantly, despite the fact that these psychological factors are internal, the customer can be greatly affected by outside social factors (Hult *et al.*, 2012:165).

4.5.2 Customer engagement constitutes underlying activities

According to Nammir *et al.* (2012:30), during high levels of customer engagement, customers present themselves cognitively, emotionally and physically (behaviourally) as illustrated in Figure 4-1. In addition, these activities strongly relate to the tri-component model of attitudes, as they share the same underlying dimensions. However, Van Doorn *et al.* (2010:254) clarify that customer engagement differs from ordinary attitude, as customer engagement goes further and is regarded as a customer's behavioural manifestation. Consequently, as these three activities form a central part of customer engagement, a discussion on each is provided.

Figure 4-1: Underlying customer engagement activities

Source: Adapted from Brodie *et al.* (2013:107), Hollebeek (2011a:790) and So *et al.* (2014:311).

4.5.2.1 Cognitive activity

The cognitive activities of customer engagement comprise the customer's beliefs and understanding of the engagement object (such as the business and its offerings) (Joubert, 2013:81). According to Solomon (2011:283) and Webb (2010:152), cognition is in essence what the customer believes to be true about an idea, event, person, activity or object. Hollebeek (2013:18) and Mollen and Wilson (2010:920) state that cognitive activity refers to a set of enduring and dynamic mental states, which the customer experiences towards a focal engagement object (i.e. brand, business, product or service).

Dessart *et al.* (2015:35) determined that cognition is best broken down into an element of sustained attention and an element of absorption. *Sustained attention* is explained as the customer's cognitive availability that is freely devoted to interacting with the engagement object, whereas *absorption* is indicative of the incapability of customers to detach themselves from interacting with the engagement object.

Furthermore, Joubert (2013:81) explains that a customer's beliefs can be subcategorised into *informational beliefs* (beliefs about product attributes, such as colour, packaging and size), as well as *evaluative beliefs* (beliefs associated with product benefits, such as the price and flavours). However, whilst customers can easily evaluate products based on informational and evaluative beliefs, they frequently find it problematic to evaluate services and service providers due to limited noticeable tangible cues (Boshoff, 2014:72). As a result, customers of services can only assess

and form beliefs about the service during or after the service encounter, where the customer can be satisfied, content or dissatisfied as a result of the service quality experience (Boshoff, 2014:79).

To conclude, Mollen and Wilson (2010:920) explain that the cognitive activity of customer engagement is the customer's active and continuous cognitive processing, attention and involvement in the engagement object. Dijkmans *et al.* (2015:59) furthermore summarise the cognitive activity as the interest that the customer displays towards business activities.

4.5.2.2 Emotional (affective) activity

According to Joubert (2013:82), Solomon (2011:283) and Webb (2010:152), the emotional activity of customer engagement involves the customer's feelings (emotions) towards an engagement object. The emotional activity stems from the customer's feelings of gratification, compassion, trust and safeness and a sense of belonging (Brodie *et al.*, 2013:110). Dijkmans *et al.* (2015:59) support this by stating that these activities are the customer's positive feelings towards the business activities.

The emotional activity captures the cumulative and enduring level of emotions that the customer experiences, which transpires through continuing and persistent feelings, instead of once-off emotions (Calder *et al.*, 2009:323; Dessart *et al.*, 2015:35). These emotions, according to Brodie *et al.* (2013:110), can be either positive (i.e. feelings of satisfaction, compassion and trust) or negative (i.e. feelings of dissatisfaction, distrust, anger, frustration and indifference). Results from a study by Dessart *et al.* (2015:35) indicated that affective (emotional) activities are influenced by two corresponding aspects, namely enthusiasm and enjoyment, where *enthusiasm* reflects a customer's intrinsic level of excitement and interest, and *enjoyment* indicates the customer's pleasure and happiness from interacting with the brand. Calder *et al.* (2009:323), Hollebeek (2011b:567) and Vivek *et al.* (2012:131) also indicate that this activity is mirrored in the customer's intrinsic enjoyment, enthusiasm and passion with the engagement object.

4.5.2.3 Behavioural (physical) activity

The behavioural activity of customer engagement represents the observable outcome of the cognitive and emotional activities (Joubert, 2013:82; Webb, 2010:153). According to Van Doorn *et al.* (2010:254), the customer's behavioural manifestation may influence the business as a result of the customer's motivational drivers. These behavioural manifestations could take place in an offline as well as an online setting. In other words, behavioural activities capture the participation both within and beyond the exchange process of current as well as potential customers (Greve,

2014:204). According to Dijkmans *et al.* (2015:59), the behavioural activity can simply be explained as the customer's participation in the business' activities.

Behavioural manifestations, according to Van Doorn *et al.* (2010:253), include *word-of-mouth communications*, such as referrals, recommendations, assistance to other customers, web postings and blogging, as well as *participation in activities* with the business for instance co-production (Van Doorn *et al.*, 2010:253). Wei *et al.* (2013:317) emphasise that these behavioural manifestations are most likely an attempt to influence the business and its brand. Engaged customers furthermore pose a smaller risk to the business, as these customers are inclined and devoted to solve problems prior to these escalating to negative behavioural manifestations (Bowden, 2009a:64; LaMalfa, 2008; Roberts & Alpert, 2010:198). Consequently, Verleye *et al.* (2014:68) state that these behavioural manifestations contribute to the success of the business, as it results in *cost advantages* for the business and the opportunity to ensure that customers have a *rewarding experience*. This is particularly true as engaged customers are willing to interact with the business, employees and other customers, and take part in the following interactions:

- **Cooperation:** comprises the benevolent act by the customer to facilitate exchanges by assisting employees by participating in the service process (Verleye *et al.*, 2014:69).
- **Feedback:** includes suggestions that customers make when they participate in product and service development and improvement (Kumar *et al.*, 2010:298).
- **Compliance:** refers to the degree to which customers comply with the rules and procedures of the business (Verleye *et al.*, 2014:69).
- **Assisting other customers:** refers to circumstances where customers freely help other customers to increase their experiences (Kumar *et al.*, 2010:298; Verleye *et al.*, 2014:70).
- **Positive word of mouth:** when customers recommend the product and/or service of the business to others (Van Doorn *et al.*, 2010:254).

It should, however, be mentioned that behavioural manifestations may be either positive or negative (Van Doorn *et al.*, 2010:253). *Positive behavioural manifestations* include the actual purchase, and continue when customers' post-positive brand messages help other customers in recommending products or services (Brodie *et al.*, 2013:110). Conversely, *negative behavioural manifestations* include situations where customers arrange public actions against the business, recommend a product or service that creates a poor fit as well as complaining to others, and switching to another business, product or service (Brodie *et al.*, 2013:110; Van Doorn *et al.*, 2010:254).

4.5.3 Customer engagement creates a collaboration opportunity

According to Hollebeek (2011a:789), customer engagement creates a collaboration opportunity between the engagement subject (customer) and the engagement object (business, brand, category or products and services). Basically, customer engagement is aimed at building personal two-way relationships as well as an emotional connection with customers that is focused on interaction and participation with the purpose of exchanging information (Oviedo-Garcia *et al.*, 2014:332). Furthermore, the opportunity to collaborate results in problem solving and creates a win-win solution that allows both parties involved to clarify differences and to achieve goals (Robbins *et al.*, 2014:379). Consequently, collaboration is a mutually satisfying exchange relationship that is formed between the business and the customer, which generates mutual value (Gummesson, 2006:15). This is especially important in the South African retail banking industry as these retail banks face intense competition and are in a position where they can benefit greatly from satisfying customers and creating the opportunity for collaboration (see section 2.9.1).

4.5.4 Customer engagement is characterised by a degree of vigour, dedication, absorption and interaction

According to Nammir *et al.* (2012:30), customer engagement is a higher-order construct, which can be characterised by four components, namely vigour, dedication, absorption and interaction:

- **Vigour:** refers to the level of energy or mental resilience that the customer uses during interactions with the engagement object, and comprises the customer's willingness to invest time and effort in his or her role as customer (Nammir *et al.*, 2012:30). According to Patterson *et al.* (2006:3), this means that (vigorous) customers are more likely to be persistent and loyal, even when faced with difficulties.
- **Dedication:** refers to the customer's sense of belonging and the feelings of pride in the business (Patterson *et al.*, 2006:3). Customers who show dedication are known to show enthusiasm and passion towards the engagement object (Nammir *et al.*, 2012:30).
- **Absorption:** describes the customer's level of being focused, happy and deeply engrossed when interacting with the business (Patterson *et al.*, 2006:3; So *et al.*, 2014:311). According to Nammir *et al.* (2012:30), absorbed customers often find it difficult to detach themselves from the business and feel that time passes quickly during these interactions.
- **Interaction:** refers to numerous exchanges and connections (Patterson *et al.*, 2006:3). These interactions can be between the customer and the brand, front-line employees or other customers (Nammir *et al.*, 2012:30). According to So *et al.* (2014:311), these various participations that the customer has with an engagement object, could take place in both online and offline environments.

Based on the abovementioned underlying activities of customer engagement, it is clear that customer engagement correlates closely to numerous other constructs in marketing. However, customer engagement exhibits conceptual distinctiveness from other related marketing concepts (Hollebeek *et al.*, 2014:152). In order to explain how customer engagement differs from these related concepts, an explanation of similar constructs in marketing literature is provided in 4.6.

4.6 SIMILAR CONSTRUCTS IN MARKETING LITERATURE

Even though customer engagement is a new construct, several marketers and researchers have been debating the issue of customer engagement being “old wine in a new bottle” as, according to Bowden (2009a:70), a number of similar marketing constructs exist. In 4.6.1 the researcher aims to distinguish these constructs from customer engagement.

4.6.1 Customer involvement

Customer involvement is universally recognised as the amount of time and energy a customer invests in searching for products or services, as well as the evaluation and decision to purchase these products or services (Lamb *et al.*, 2013:890). Dibb *et al.* (2012:157) further describe customer involvement as the level of interest, emotional commitment and time consumed on searching for a product in a particular situation.

Mollen and Wilson (2010:923), however, suggest that customer engagement differs from customer involvement as customer engagement transcends beyond the cognition and comprises a hands-on, interactive customer relationship with a specific object.

In general, **involvement** depicts the customer’s interest in a product category, whilst **engagement** portrays the customer’s commitment to an active relationship with a specific object (Abdul-Ghani *et al.*, 2011:1061). Involvement and other relational concepts, such as loyalty, are furthermore viewed as consequences of customer engagement (Brodie *et al.*, 2011:260).

4.6.2 Attachment

Attachment in a brand context involves customers’ profound yearning to preserve the security that they feel towards a brand as well as to elude separation with the brand actively, resulting in emotionally embedded repurchasing and evasion of switching to other brands (Grisaffe & Nguyen, 2011:1053). Attachment theory refers to the innate human need to form affectionate bonds. From a marketing perspective, research revealed that customers could become attached to belongings, brands, sports teams or even service providers (Grinstein & Nisan, 2009:108; Kleine *et al.*, 1995:329; Madrigal, 2008:305; Park *et al.*, 2006; Thomson *et al.*, 2005:78).

Research by Park *et al.* (2006:78) suggest that customers frequently tend to foster strong emotional attachments to a number of different tangible and intangible objects including gifts or memorabilia, tangible products or brands, as well as places and retail stores. This means, attachment refers to the development of a relationship between customers and particular tangible or intangible objects. So *et al.* (2013:407) further explain that emotional attachment can be regarded as the strength of the bond that a customer has with a brand. The concept of attachment is an affective concept, and according to Vivek (2009:32), it is associated with the ownership or possession of objects and for this reason, attachment differs from customer engagement as customer engagement could be implemented to create customer attachment.

4.6.3 Customer participation

Customer participation is defined as the amount of involvement in producing and delivering a service by the customer (Dabholkar, 1990:484). Customer participation also refers to the breadth and depth of the customer's involvement in the new product development process (Fang *et al.*, 2008:324). The breadth of this involvement includes the scope of participation in, for example, concept generation of products or services, prototype testing, as well as the final product testing phase in the process of new product development. The depth of this involvement has to do with the actual level of participation, which can range from superficially involved to deeply involved customer contributions (Fang *et al.*, 2008:484).

Customer engagement also involves customer participation and connection with the business and the offerings of the business (Van Doorn *et al.*, 2010:254). Vivek (2009:27), however, explains that customer participation differs from customer engagement, as customer engagement focuses on the experiences that can occur with or without the actual exchange and includes participation from the customer before, during and after a product or service has been developed, which is a more reflective dimension than customer participation.

4.6.4 Co-production or co-creation

Customer *co-production* occurs as soon as services are produced by means of a cooperative effort between the business and the customer (Hoffman *et al.*, 2009:324; Wilson *et al.*, 2012:40). Co-production is also defined as beneficial customer participation in service creation and the delivery process that involves meaningful, cooperative assistance in the service process (Auh *et al.*, 2007:359). Prahalad and Ramaswamy (2004:5) further explain that *co-creation* is a joint creation of value between the business and the customer by motivating customers to co-construct the service experience. Consequently, customer engagement differs from co-creation and co-production, as the customer's involvement in the development of products and services focuses

on the customer's experience. This experience is a reflective dimension that continues before, during and after the exchange of products and services and can be regarded as a result of truly engaged customers (Vivek, 2009:27). Similarly, Van Doorn *et al.* (2010:254) point out that customer engagement goes beyond transactions, and consists of a customer's behaviour after exchange, which results from motivational drivers.

4.6.5 Customer devotion

Existing theory on customer devotion defines this concept as a transcendent experience that expresses personal identity and greater motivation and attachment to an object such as a product, service or brand that does not have time-based or geographical limitations (Vivek, 2009:32; Hunt *et al.*, 1999:440). Customers, who are devoted to a brand, experience a level of deep loyalty that endures poor product performance, gossip, bad publicity or even a lack of marketing efforts from the business (Vivek, 2009:32). Customer devotion therefore differs from customer engagement in that customer devotion can be viewed as a cognitive construct, which is enduring in nature (Vivek, 2009:32).

4.6.6 Brand communities

Brand communities consist of a group of customers and observers who are dedicated to a specific brand, which is centred on a set of shared relationships and interactions between devotees of the brand, and which commonly takes place on a social media platform. These brand communities are most often controlled and initiated by the brand owner for commercial benefit (Dibb *et al.*, 2012:322). Vivek (2009:30) explains that brand communities are different from customer engagement, as a brand community can be a consequence that results from engaged customers who want to form part of a brand community or fan page. This is further substantiated by Bijmolt *et al.* (2010:341) who explain that engaged customers participate in brand communities.

Table 4-3 below summarises the above constructs that are similar to customer engagement within the marketing literature.

Table 4-3: Similar constructs in marketing opposed to customer engagement

Similar construct	Definition	How it differs from customer engagement
Involvement	The level of energy, interest, emotional commitment and time consumed in searching for, evaluating and purchasing products and/or services.	Customer engagement transcends beyond cognition and includes a hands-on, interactive customer relationship with a specific object.
		Involvement is a consequence of customer engagement.

Table 4-3: Similar constructs in marketing opposed to customer engagement (cont.)

Similar construct	Definition	How it differs from customer engagement
Attachment	The innate human need to form affectionate bonds with objects, such as a yearning to preserve security and avoid parting with the object, which results in emotionally centred repurchases.	Attachment is associated with the ownership of objects.
		Attachment occurs as a result of customer engagement.
Customer participation	The amount of involvement in producing and delivering a service or new product by the customer, with the aim of an exchange.	Customer engagement focuses on the experiences that could occur with or without the actual exchange.
		Includes participation by the customer before, during and after a product or service has been developed.
		Customer participation is viewed as a consequence of customer engagement.
Co-creation / co-production	The cooperative beneficial effort to create value between the business and the customer which motivates customers to co-construct the exchange experience.	Customer engagement is a reflective dimension that takes place before, during and after the exchange.
		Customer engagement goes beyond transactions.
		Co-creation or co-production is a result of truly engaged customers.
Customer devotion	A transcendent experience that expresses personal identity, greater motivation, attachment and a deep level of loyalty to an object that does not have time or geographical limitations.	Customer engagement goes beyond loyalty.
		Deep loyalty or devotion is also viewed as a result of engaged customers.
Brand communities	A group of customers who are devoted to a specific brand and who are characterised by a set of shared relationships and interactions that commonly takes place on social media platforms.	Brand community involvement is a consequence of engaged customers.

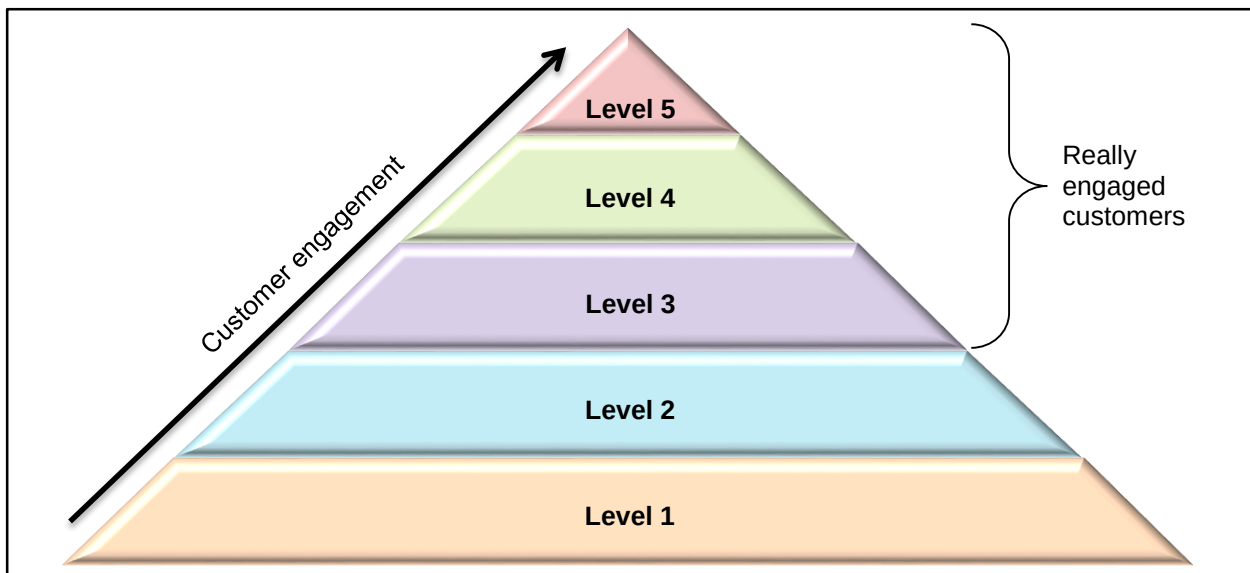
4.7 LEVELS OF CUSTOMER ENGAGEMENT

Roberts and Alpert (2010:198) propose that various levels of customer engagement are possible, where each level builds on the previous level(s). These levels are depicted in Figure 4-2 and further explained below.

During Level 1 of customer engagement, the customer makes a purchase of a product and/or service from a business. After the purchase, the customer becomes more loyal and continues to purchase the product or continues to use the service. By Level 3 of customer engagement, the customer readily purchases the product or service lines of the business. At Level 4, the customer becomes more engaged and starts recommending the products and services of the business to

others, whenever they are presented with the opportunity to do so. Lastly, at Level 5, the customer becomes an advocate for the business and promotes the products and/or services at every given opportunity (Roberts & Alpert, 2010:198). Pertaining to the retail banking industry the potential customers becomes customers of a retail bank when they open a bank account. After a while, the retail-banking customer becomes more loyal to the retail bank and continues to use their bank account, and also opens new accounts and makes use of other more services. By the time the retail bank customer reaches Level 3 of customer engagement they are readily using a variety of banking services and products (accounts). At Level 4, these retail customers start to recommend the retail bank's products and services to other potential customers. Lastly, retail banking customers becomes advocates for the retail bank and promotes the retail bank when the opportunity presents itself during Level 5 of customer engagement.

Figure 4-2: Levels of customer engagement



Source: Adopted from Roberts and Alpert (2010:198).

According to Roberts and Alpert (2010:198), customers who are at Levels 3, 4 and 5 can be described as “really engaged customers”. Sashi (2012:253, 257) supports this notion and further explains that customer engagement can transform customers into devotees of the brand, product and/or service. The more engaged a customer, the more involved he or she is with the brand, product and/or service (Ahuja & Medury, 2010:95).

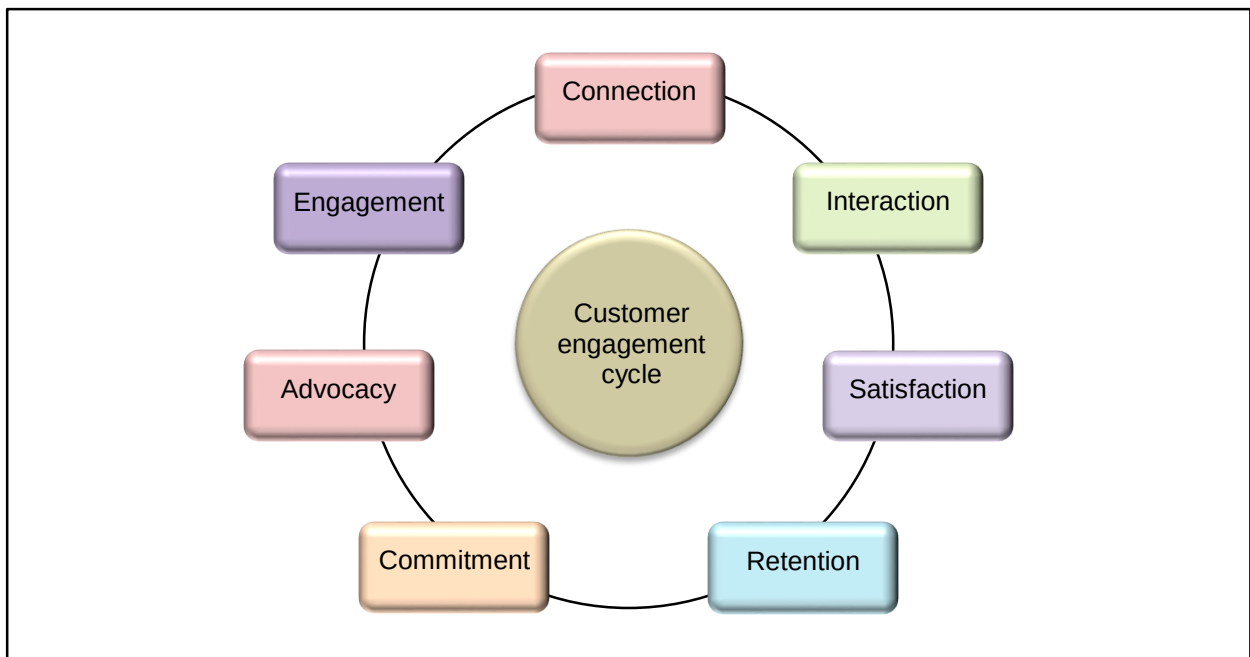
In an early effort to explain how customers can be transformed into engaged customers, Sashi (2012) developed a customer engagement cycle. This original cycle shows key elements to illustrate the development of customer engagement. As this contributes to the underpinning theoretical foundation of customer engagement, the customer engagement cycle is further explained.

4.8 CUSTOMER ENGAGEMENT CYCLE

In an initial attempt to develop a theoretical framework for customer engagement, Sashi (2012:253) developed a model of the customer engagement cycle, but according to this author, further research is required to understand the framework better. This initial framework represents important elements of customer engagement, namely connection, interaction, satisfaction, retention, commitment, advocacy and engagement. According to Javornic and Mandelli (2012:303), however, various crucial behavioural components for the establishment of customer engagement need to be added to the engagement cycle. Customer engagement requires a customer experience and the establishment of trust and commitment in buyer–seller relationships, as long-term relationships and customer loyalty cannot be developed, or customers be transformed into advocates in the absence of trust (Sashi 2012:259; Vivek *et al.*, 2012:127). However, the conceptual link between customer experience, trust, customer loyalty, and engagement has not been proved through sound empirical research and has yet to be confirmed (Javornic & Mandelli 2012:303; Sashi, 2012:259-260).

According to Sashi (2012:253), customers have to progress through the various stages of the customer engagement cycle to become partners who collaborate with businesses in value-adding processes to satisfy their own needs as well as the needs of other customers better. The customer engagement cycle proposed by Sashi (2012:261) is presented in Figure 4-3, followed by a brief discussion of each stage.

Figure 4-3: Customer engagement cycle



Source: Adopted from Sashi (2012:261).

(i) Connection

The customer engagement cycle begins with connecting the customer to the business. This can be established by means of traditional offline methods of salespersons and employees, or online methods such as social networks (Sashi, 2012:260).

According to Gummesson (2006:67), the customer's contact with the business includes all types of connections with the business, for instance staff and equipment. When customers open a bank account at a retail bank they firstly connect with the retail bank and their employees.

(ii) Interaction

Gummesson (2006:67) further explains that once the customer is connected to the business, he or she starts interacting with the business employees and other customers, who may also be offline (interacting by face-to-face situations, word of mouth, letters, telephone) or online (interacting through social media, email, blogging and websites). According to Patterson *et al.* (2006:3), interactions include contact between the customer and front-line employees, the business, brand as well as other customers. During this stage, customer interaction allows customers to participate actively in value-added processes and collaborations with businesses and to create value (Sashi, 2012:260). Pertaining to the banking industry, retail banking customers now interact with their retail banks employees, business, brand and other retail banking customers in an offline setting (branch) as well as in an online setting (social media, internet banking).

(iii) Satisfaction

According to Sashi (2012:262), only when interactions result in satisfaction will customers stay connected and continue to interact with the business and other customers. According to Lamb *et al.* (2013:9), satisfaction is the outcome of an emotional state and is influenced by customers' expectations. Satisfaction is a necessary condition for customer engagement, and satisfaction with interactions during purchase processes may be achieved when customer expectations are exceeded (Belanche, 2013:80). This is an important stage as customers have the power to determine the future of the business, because they will either stop purchasing from the business or switch to competitors when they are not completely satisfied with the business offering (Joubert, 2013:7). Therefore, if customers are unsatisfied, they will not move on to the next stage of the customer engagement cycle, and according to Kurtz and Boone (2012:315), businesses need to keep in touch with the needs of current and potential customers in addition to formulating customer-based

missions, goals and performance standards to avoid these unfavourable situations. During this phase of the customer engagement cycle, retail-banking customers become satisfied with the retail banking products and services and they have positive interactions with the retail bank.

(iv) Retention

Customer retention could result from either overall satisfaction over time or highly positive emotions, and implies a long-term relationship between the customer and the business (Sashi, 2012:262). Retention is further described as the on-going customer relationships, which a business maintains (Joubert, 2013:21). As a result of the satisfaction that retail banking customers experience, the retail bank retains their customers and a long term relationship is developed.

(v) Commitment

The next stage of the customer engagement cycle is the customer's commitment towards an engagement object. According to Sashi (2012:263), commitment in a relationship has two major dimensions, namely affective commitment (emotional commitment that results from the trust and mutual benefits of a relationship) and calculative commitment (rational commitment that results from a lack of choice or switching costs). Commitment allows customers to be continually dedicated to a brand or business and the improvement of the relationship despite foreseen or unforeseen circumstances (Keller, 2013:351). Pertaining to the banking industry, customers become committed towards their retail bank on an emotional level as well as a rational level.

(vi) Advocacy

Next, the customer becomes an advocate for the business by promoting the business among those with whom he or she has interaction and connections. During this phase, the business and customer are expected to look after each other's interests. This transcends the customer's self-interest (Sashi, 2012:263). Kurt and Boone (2012:20) further explain that by having customer advocates, the business gains a competitive edge, as these customers continuously purchase products and make recommendations to other potential customers. When retail banking customers reach this stage of the customer engagement cycle, they start to promote the retail bank to other potential customers when they get the opportunity to do so.

(vii) Engagement

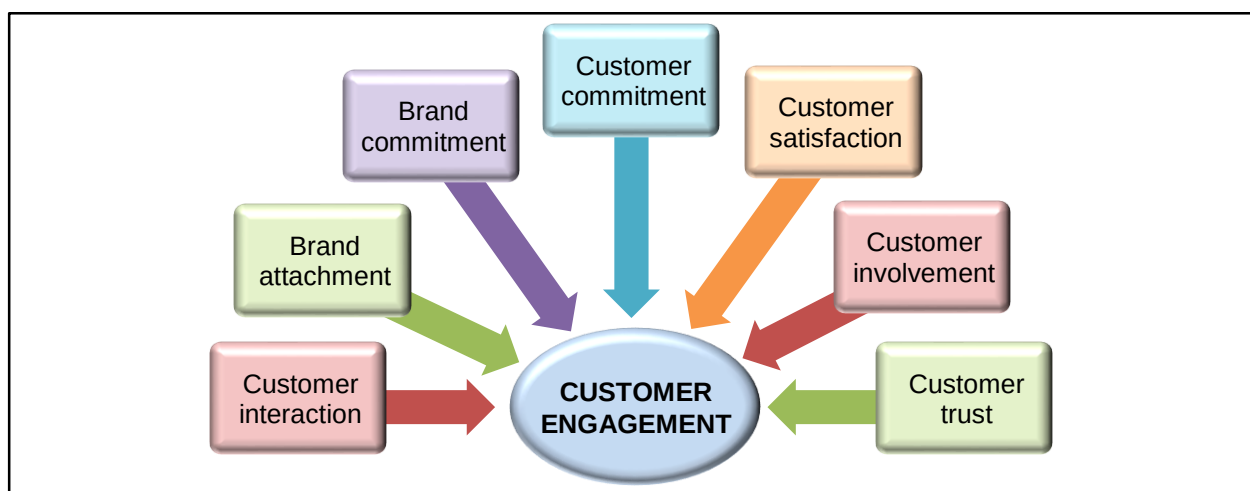
The last stage in the cycle is customer engagement, which is, according to Sashi (2012:264), where customers have strong emotional bonds in interpersonal exchanges with the business. This increases the role of customers by including them in value-adding practices as co-creators of value, which in turn enhances their satisfaction. These emotional and relational bonds between the customer and the business are more durable and lead to new connections and interactions, which create a virtuous customer engagement cycle (Sashi, 2012:264). Finally, at this stage of the customer engagement cycle the retail banking customers are engaged with the retail bank and they have strong relational bonds and interpersonal exchanges with their retail bank.

This initial framework represents important elements that need to be established in order to create customer engagement. As explained by Sashi (2012:253), the idea behind the customer engagement cycle is to get customers to progress through each stage to become engaged. As the cycle needs to be further researched, it is also important to discuss the various antecedents that are directly associated with the formation of customer engagement. The next section identifies and explains the various antecedents of customer engagement.

4.9 ANTECEDENTS OF CUSTOMER ENGAGEMENT

As illustrated in Figure 4-4, various antecedents of customer engagement were identified from the existing literature on customer engagement, such as customer interaction, brand attachment, brand commitment, customer commitment, customer satisfaction, customer involvement and customer trust.

Figure 4-4: Antecedents of customer engagement



Source: Adapted from Sashi (2010:260), So *et al.* (2013:407) and Van Doorn *et al.* (2010:256).

(i) Customer interaction

According to Oviedo-Garcia *et al.* (2014:334), interactions are the means to accomplish customer engagement. Fierro *et al.* (2014:72) also confirm that customer interaction positively and significantly influences the level of customer engagement. This can be of great value to any business. When customers interact with the business, they can add value by collaborating in value creation (Sashi, 2012:260).

(ii) Brand attachment

According to Van Doorn *et al.* (2010:256), high levels of brand attachment lead to customer engagement. Furthermore, attachment to a brand is characterised as a strong degree of loyalty that the customer feels towards the brand, which is the customer's resistance to changing to competitor brands (Keller, 2013:130). As discussed in section 4.4.2, brand attachment is characterised as a passionately embedded desire to preserve the strength of the brand relationship by the customer's avoidance of changing to other brands (Grisaffe & Nguyen, 2011:1053; So *et al.*, 2013:407).

(iii) Brand commitment

High levels of brand commitment are also perceived to be an antecedent of customer engagement (Van Doorn *et al.*, 2010:256). Brand commitment results from trust in a brand (Sashi, 2012:263). When customers are committed to a brand, they are invested in the brand over a long period of time and are loyal to the brand (Little & Marandi, 2006:52; So *et al.*, 2013:407).

(iv) Customer commitment

Commitment is defined by Morgan and Hunt (1994b:23) as a customer's long-term aspiration to preserve a valued relationship with a business or brand. Commitment follows trust and is more resilient when satisfaction intensities are high, the quality of substitute products and/or services is perceived to be unattractive, and the investment from the customer's viewpoint is great (Little & Marandi: 2006:52). Customer commitment refers to the long-term orientation towards a relationship with a business (Hennig-Thurau *et al.*, 2002:232). According to Yu and Tung (2012:114), commitment is an essential representation of good relationships and signifies the customer's willingness to continue to maintain the relationship. Commitment implies that both parties will be loyal and reliable and show stability in their relationship with each other (Berndt & Tait, 2012:26). Commitment

is therefore the attainment of a mature relationship with the desire to maintain a relationship by investing in activities that will maintain the relationship (Berndt & Tait, 2012:26).

(v) Customer satisfaction

Satisfaction refers to customers' assessment of the ability of products and services to satisfy their needs (Lamb *et al.*, 2013:9). According to Cheung *et al.* (2015:3), higher levels of customer satisfaction lead to higher levels of engagement. Customer satisfaction results from expectations that are met or exceeded by the business, and is viewed by academics as the key differentiator in a competitive situation that forms an integral part of a business strategy (Tripathi, 2014:124).

(vi) Customer involvement

According to So *et al.* (2013:407), customer involvement is similarly an antecedent of customer engagement. This involvement leads to engagement, as the customer is absorbed and emotionally devoted to the business, business offerings or the brand (Dibb *et al.*, 2012:157). Involvement was also discussed in section 4.4.1.

(vii) Customer trust

Trust is commonly defined in relationship marketing literature as the perceived reliability and benevolence, the confidence in and willingness to rely on the business (Henning-Thurau *et al.*, 2002:236). Trust generates benefits for the customer, such as reduced risk and an improved level of certainty, as trust acts to moderate risk perception in the consumption process (Bowden, 2009:259). Customer trust can only be established when the business keeps its promises and conveys promises that customers believe can be fulfilled (Gummesson, 2006:23). Therefore, customer trust is the customer's belief in the business capability, consistency as well as truthfulness of the business. Furthermore, the creation of trust is essential in the development of customer engagement (Vivek *et al.*, 2014:412).

4.10 CONSEQUENCES OF CUSTOMER ENGAGEMENT

According to Van Doorn *et al.* (2010:259), customer engagement potentially holds a variety of consequences for stakeholders, including the customer, the business or brand, as well as other constituents (customers of other products and brands). These consequences include customer loyalty, customer satisfaction, word of mouth, repurchase intent, co-creation and development, trust, courage to complain and participate in the online brand community, online reviews and

blogs. Figure 4-5 summarises the various consequences an engaged customer might have for a business. These consequences are discussed below.

Figure 4-5: Consequences of an engaged customer



Source: Adapted from Bijmolt *et al.* (2010:341), Hollebeek (2011a:790), Javornic and Mandelli (2012:304) and Van Doorn (2011:281).

(i) Customer loyalty

Customer engagement leads to the creation of loyalty (Cheung *et al.*, 2015:92). When customers are engaged in a business, they tend to be more loyal towards the business, the brand, the products or services (Brodie *et al.*, 2011:260). Loyal customers are especially beneficial to the business, as service loyalty is perhaps the most important construct in marketing and is defined as a customer's positive attitude toward the business (Javadein *et al.*, 2008:4). Furthermore, customer loyalty refers to the customer's commitment to support the business on an exclusive basis over a long period of time (Lovelock & Wirtz, 2011:338).

This is supported by Babin and Harris (2014:315) and Berndt and Tait (2012:27), who are of the opinion that loyal customers have an emotional connection with the business, which results in continued support from the customer as he or she feels benevolence towards the business. Therefore, this consequence of customer engagement is highly beneficial for any

business, as loyal customers have a connection with the business that is based on emotion (or a positive feeling), which encourages customers to support the business continuously and advise family and friends to do so also (Joubert, 2013:169).

(ii) Customer satisfaction

Customers who are engaged with a business are more probable to be satisfied with the products, services or brand (Sashi, 2012:259; Vivek *et al.*, 2012:127). According to Berndt and Tait (2012:28), the more satisfied a customer becomes the more resilient the relationship becomes between the customer and the business, which will benefit the business in the long term. Javadein *et al.* (2008:3) describe customer satisfaction as the customer's fulfilled expectations, which leads to a positive post-purchase evaluation of the product or service offering. Satisfaction is an outcome from an emotional state that is subjective to the customer's expectations (Belanche, 2013:80). Creating satisfied customers can be beneficial for the business as satisfied customers have a greater lifetime value for the business (Dorai & Varshney, 2012:407).

(iii) Word of mouth

Furthermore, when customers are engaged, they are likely to spread positive word of mouth, including recommending the business and offerings to other (Javornic & Mandelli, 2012:304). Bijmolt *et al.* (2010:341) and Van Doorn (2011:281) support this by also stating that customers who are engaged with a business, brand, product or service are often considered to participate in positive word-of-mouth communication. The business can benefit from positive word-of-mouth communication as it reduces the risk of losing customers to competitors as word of mouth frequently results in the attraction of new customers as well as repurchases from satisfied current customers (Zeithaml *et al.*, 2009:185).

(iv) Repurchase intent

According to Javornic and Mandelli (2012:304), another consequence of customer engagement is the customer's willingness to repurchase. This is of great benefit to a business, as this means that the customer will continuously make purchases from the business, which results in increased profitability generated from engaged customers (Berndt & Tait, 2012:28).

(v) Co-creation and development

Another consequence of customer engagement is co-creation, where customers are involved and participate in the creation of business offerings through shared inventiveness or co-design (Van Doorn *et al.*, 2010:254). Engaged customers are confirmed to want to participate in co-creation and by partaking in product and service development and improvements (Bijmolt *et al.*, 2010:341; Javornic & Mandelli, 2012:304).

Clearly co-creative behaviours benefit the business, as customers are helping the business by making suggestions that may improve the consumption experience for all customers (Van Doorn *et al.*, 2010:254).

(vi) Trust

When customers are engaged with the business, they are more trusting in the business, product, service or brand (Sashi, 2012:259; Vivek *et al.*, 2012:127). Trust – comprising credibility and benevolence – is suggested to be a consequence of customer engagement (Vivek *et al.*, 2014:412). In literature, trust is broadly defined as the belief that the customer has in the integrity, honesty and reliability of the business (Sweidan *et al.*, 2012:157). Furthermore, Morgan and Hunt (1994b:23) define trust as the level of confidence in an exchange partner's dependability and integrity as proved by relational qualities such as consistency, competency, honesty and benevolence. It is therefore clear that the development of trusting customers can be of great advantage to a business.

(vii) Courage to complain

According to Javornic and Mandelli (2012:304), engaged customers are also more willing to complain to the business when their experiences are unsatisfactory. Engaged customers are also known to have the courage to share their unsatisfactory experiences by complaining to the business with the intent to help other customers (Bijmolt *et al.*, 2010:341). It is therefore crucial for businesses to be responsive to complaints and to investigate the reason for customer unhappiness (Joubert, 2013:136). This will equip marketers to take corrective action in order to maintain good relationships with customers by satisfying their needs (Joubert, 2013:136).

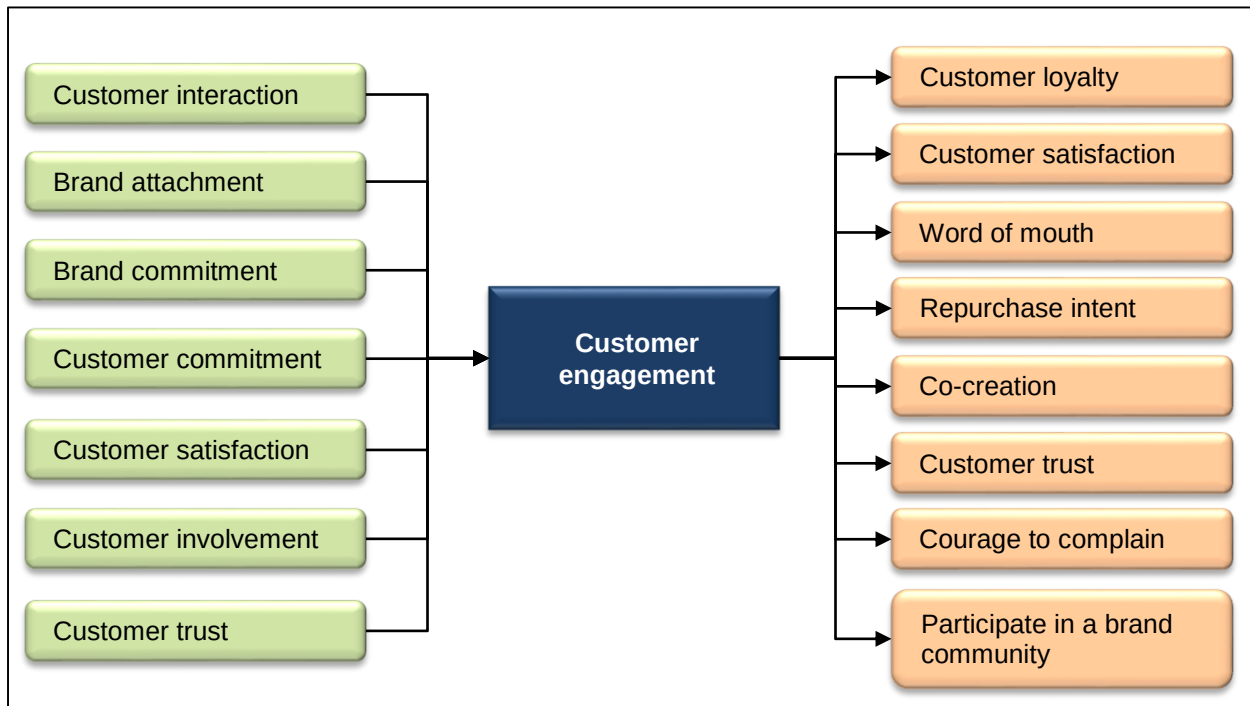
(viii) Participate in online brand community, online reviews and blogs

Engaged customers are also more willing to participate in an online brand community (Javornic & Mandelli, 2012:304). This is also supported by Van Doorn (2011:281), who explains that customers who are engaged often join online brand communities to partake in

online reviews and blogs about the engagement object (business, brand, product or service).

In order to construct a concluding image of customer engagement, Figure 4-6 illustrates the antecedents that have to be in place to create engaged customers, as well as the consequences that result from engaged customers.

Figure 4-6: Antecedents and consequences of an engaged customer



Source: Adapted from Bijmolt *et al.* (2010:341), Hollebeek (2011a:790), Javornic and Mandelli (2012:304), Sashi (2010:260), So *et al.* (2013:407), Van Doorn (2011:281) and Van Doorn *et al.* (2010:256).

Even though the aim of various academics today is to uncover the concepts of customer engagement as well as identifying the underlying activities, a scale to measure customer engagement does not yet exist. This is especially true for the service industry, such as retail banks, which could benefit significantly from a measure, as they are facing growing competition and changing customer behaviour, which make maintaining and developing strong relationships with customers more challenging than ever before. In order to address this gap, the present study aimed to develop a multi-item scale to measure the extent of customer engagement in the retail banking industry in an attempt to assist in the operationalisation of the customer engagement construct.

This chapter demonstrated an increased interest in the academic field on the concept of customer engagement and the way customer engagement has been explored in the fields of marketing,

services marketing, brand management and marketing management. Researchers are striving to develop the concept of customer engagement by developing models, frameworks, stages, outcomes and benefits and by uncovering the activities that form the foundation of customer engagement as discussed in section 4.2. Consequently, the study aimed to develop a scale to measure customer engagement in the South African retail banking industry. This is discussed in more detail in the research methodology in the next chapter.

4.11 CONCLUSION

This chapter encompassed a discussion of the theoretical foundation of customer engagement, and important research in customer engagement was summarised. The chapter further demonstrated the importance of exploring the concept of customer engagement and continued with a review of various definitions of customer engagement, stating how customer engagement was defined for the present study. Subsequently, similar constructs in marketing literature were summarised and an indication of how these constructs differ from customer engagement was provided. The chapter further identified the universal elements in customer engagement theory and of customer engagement. The different levels of customer engagement were also explained in addition to the customer engagement cycle. The chapter concluded with the numerous antecedents and consequences of customer engagement. The next chapter provides the methodological framework for the study.

CHAPTER 5

RESEARCH METHODOLOGY

5.1 INTRODUCTION

This chapter provides a brief explanation of marketing research, followed by a comprehensive description of Churchill's (1979) procedure for scale development. Consequently, the research design, domain of the study, identification and purification of items, questionnaire design, sampling method, data purification and data cleaning and statistical methods for purification are explained. Lastly, the chapter discusses the reliability and validity of the measure.

5.2 MARKETING RESEARCH

Marketing research forms an integral part of any business, as valuable market-related information is gathered to provide input for decision-making and transparency, which improves the success rate of marketing efforts (Babin & Zikmund, 2016:3). Consequently, marketing research is an excellent tool for identifying opportunities in the marketplace, and is therefore fundamental to understanding the environment in which the business operates (McDaniel & Gates, 2013:3). Burns and Bush (2010:35) also explain that marketing research provides information regarding the weaknesses, strengths, trends and behaviour of the business in the market to assist businesses to develop successful marketing strategies. This means that marketing research fundamentally facilitates the flow of information in an organised and rigorous way to aid decision-making (Feinberg *et al.*, 2013:4).

To understand what marketing research is better, it is necessary to examine the various definitions of marketing research from existing literature. The following section therefore focuses on uncovering the definitions of marketing research.

5.2.1 Marketing research defined

In the marketing literature, a number of different definitions of marketing research exist. The various definitions of marketing research are presented below.

- Tustin *et al.* (2005:7) define marketing research as a scientific method that is recognised as the systematic and objective collection, analysis and interpretation of information directed at improving marketing decision-making.

- Furthermore, marketing research is defined as a systematic method used by businesses for the gathering, evaluating and reporting of data and outcomes, which are significant to a particular marketing objective or problem (Kotler & Keller, 2006:102).
- Marketing research is defined as the method by which information regarding the marketing environment is generated, as well as the investigation and interpretation of such data in order to support marketing decision-making (Peter & Donnelly, 2008:28).
- Marketing research, according to Shiu *et al.* (2009:5), is the function that associates the customer, consumer or community with the marketer through the collection and interpretation of information for marketing purposes.
- Marketing research is also defined as the business function that associates and connects a business to its markets by means of information gathering (Hair *et al.*, 2010:4).
- Similarly, Malhotra (2010:39) defines marketing research as the unbiased and systematic identification, collection, exploration, distribution and use of information with the main aim of assisting in decision-making associated with marketing problems and opportunities.
- Marketing research is similarly defined as the planning, collection and analysis of data pertinent to marketing decision-making, which includes communication of the results of the analysis to management (McDaniel & Gates, 2010:7).
- Feinberg *et al.* (2013:4) support this definition by affirming that marketing research is a systematic procedure of using recognised research and constant data collection in order to develop the marketing function within a business.
- Marketing research is therefore the planning, collection and investigation of data pertinent to marketing decision-making as well as the communication of results to management (McDaniel & Gates, 2013:4).
- Brown *et al.* (2014:4) define marketing research as the collection and analysis of data, with the aim of developing, executing and monitoring the marketing plans of the business.
- Marketing research is defined as the use of a scientific method in searching for the truth regarding marketing and marketing occurrences, which involves a set of activities, such as defining the marketing opportunities and problems, producing and assessing marketing ideas and concepts, observing performance and understanding the marketing process (Babin & Zikmund, 2016:5).

From these definitions, marketing research for this study was defined as a scientific method to search for the truth regarding marketing and marketing occurrences, which involves the systematic and objective collection, analysis and interpretation of data with the main aim of reporting outcomes that are significant to a particular marketing objective or problem, which aids marketing decision-making.

As the main objective of the study was to develop a multi-item scale to measure customer engagement based on Churchill's (1979:66) procedure for scale development, it is imperative to discuss each phase of the process and explain how each phase was conducted in this particular study. Consequently, the marketing research process is described, by integrating Churchill's (1979) scale development procedure.

5.3 MARKETING RESEARCH PROCESS

Not all marketing research efforts are the same due to the diverse opportunities or problems that they address; however, a general structure of steps or phases can be followed when designing and conducting marketing research (Brown & Suter, 2014:8). Figure 5-1 illustrates the marketing research process, followed by a discussion on each of the steps of the process as integral to this study. Figure 5-1 also serves as an outline for the first section of the chapter.

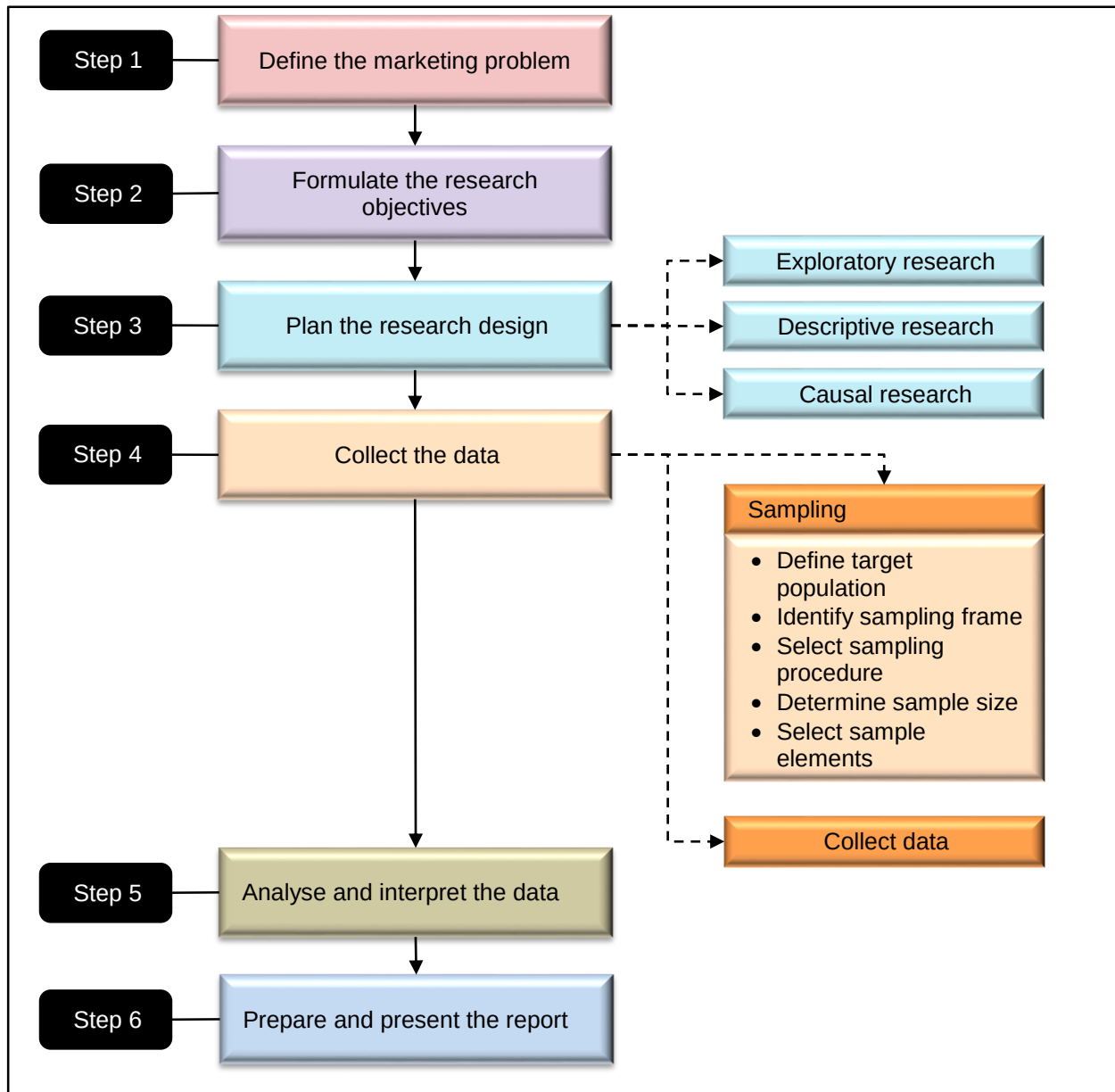
5.3.1 Step 1: Define the research problem

According to Brown and Suter (2014:8), the first and most important step in marketing research is to define the marketing problem that needs to be resolved. Marketing research is most frequently inspired by a specific problem or opportunity (Aaker *et al.*, 2013:48). The development of a description of the research problem provides direction to the research project and allows the researcher to set suitable objectives. It also increases the possibility of collecting the required and applicable data (Babin & Zikmund, 2016:62). According to Malhotra (2010:68), the phase of marketing research that aims to define the problem is the most important in the marketing research process. The research problem for this study (as mentioned in Chapter 1) is summarised as follows:

The South African retail banking industry is evolving and banks are faced with growing competition and dynamic customer behaviour. This set of conditions makes it difficult for retail banks to create and maintain valuable long-term relationships with their customers. For a retail bank to survive and prosper in these conditions, nurturing customer engagement is seen as a viable solution, since customer engagement goes beyond awareness, purchase, satisfaction and retention; it creates collaboration between the customer, the product, service or brand. Limited research has, however, been conducted with respect to customer engagement, and a suitable scale to measure this construct in a South African retail banking context has not yet been developed. Such a scale could provide clarity around the concept of customer engagement and may assist South African retail banks in nurturing customer

engagement in order to retain customers, attain competitive advantage as well as the benefit of customer loyalty, and profitability in these difficult market conditions.

Figure 5-1: The marketing research process



Source: Adapted from Burns and Bush (2014:69) and Lamb *et al.* (2015:173)

5.3.2 Step 2: Formulate the research objectives

Research objectives are the fundamental goals that the researcher would like to achieve during the research project, which may include a comprehensive understanding of the decision situation (problem statement). Research objectives are defined as statements in specific terms of the required information that should be collected (Aaker *et al.*, 2013:51). However, research objectives cannot be developed until the researcher understands the problem that needs to be

addressed in the research project (Babin & Zikmund, 2016:62). When the researcher identifies and clarifies the problem, he or she must formally state the research objective, which will drive the research process (Babin & Zikmund, 2016:65). The research objectives should be framed to ensure that the research purpose is satisfied by the data collection (Aaker *et al.*, 2013:51). Each objective should specify one insight that the researcher would like to gain, and these objectives should ultimately form the centre of the questionnaire (Bradley, 2010:49). The primary and secondary research objectives are developed through the examination of the problem statement.

Derived from the research problem, the primary objective of this study was to develop a multi-item scale to measure the extent of customer engagement in the South African retail banking industry.

The secondary research objectives that were developed to support the primary objective of the study are the following, namely to:

- provide insights into the South African retail banking industry;
- provide a theoretical overview of services marketing;
- provide an overview of the theory that underpins customer engagement from a relationship marketing perspective;
- provide a theoretical overview to conceptualise customer engagement;
- develop a rudimentary scale to measure of the extent of customer engagement in the retail banking industry;
- refine the customer engagement scale to exhibit a suitable factor structure across all items included in the scale;
- test the viability of the customer engagement scale in conjunction with other relationship marketing constructs; and
- Determine whether differences exist between the different major retail banks included in the study.

5.3.3 Step 3: Plan the research design

After the research problem and objectives had been formulated, the following step of the marketing research process is to select the research design or method (Babin & Zikmund, 2016:67). In marketing research, the research design represents the structure which states the various methods or procedures that will be followed when collecting and analysing the data in order to guarantee that data is accurate, applicable and consistent with the specified research objectives (Feinberg *et al.*, 2013:54). The research design provides the guidelines or plan of action for collecting and analysing data by specified methods and procedures (Aaker *et al.*,

2013:74). Each design type provides a unique set of options of implementation, such as for the exploratory, descriptive or causal design (Babin & Zikmund, 2016:67). Various aspects need to be considered when selecting the most appropriate research methods, including the objectives of the study, the accessible data sources, the urgency of the problem, as well as the cost involved in collecting and analysing the data (Babin & Zikmund, 2016:67).

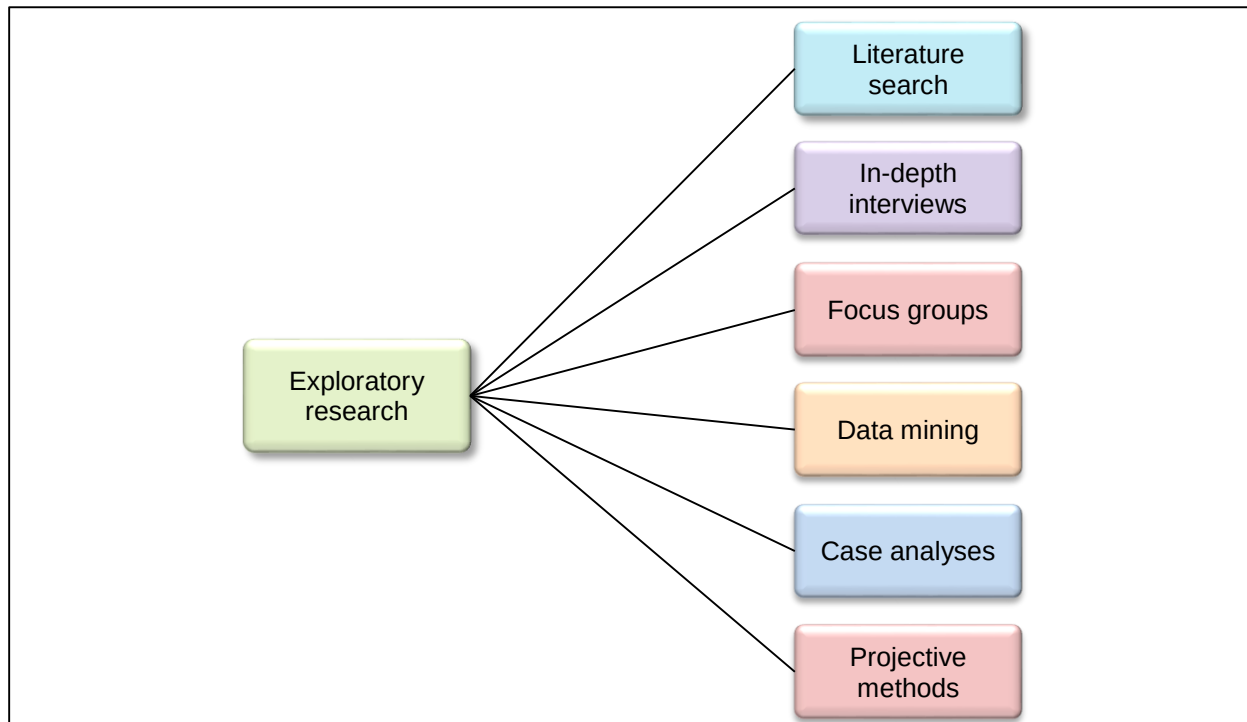
Aaker *et al.* (2011:72–74) and Zikmund and Babin (2016:54) categorise the research design in three general categories or types of research, namely exploratory research, causal research and descriptive research. These main types of marketing research are discussed below.

5.3.3.1 Exploratory research

Researchers may select exploratory research techniques to help refine the problem statement and research questions, which may involve interviews with experts, observation of consumers and analysis of online content (Babin & Zikmund, 2016:64). Exploratory research is conducted to clarify uncertain situations or to discover ideas that may potentially become opportunities for the business (Babin & Zikmund, 2016: 54). Exploratory research is necessary when insights into the general nature of a problem need to be considered (Aaker *et al.*, 2011:72). According to Zikmund *et al.* (2010:55), exploratory research is fitting for research, which aims to develop a foundation for further research with regard to new concepts in marketing, as this type of research is recognised for its flexibility and unstructured nature. Furthermore, exploratory research can be beneficial in conditions where improved formulation of a research problem is required to increase familiarity with the research problem or to clarify a specific concept, as this type of research becomes the foundation for a good study (Brown *et al.*, 2014:61).

Figure 5-2 illustrates the various types of exploratory research, namely a literature search, in-depth interviews, focus groups, data mining, case analyses and projective methods. Churchill (1979:61) also specifies that exploratory research includes literature searches, experience reviews and insight stimulating examples which can be used in scale development.

Figure 5-2: Types of exploratory research



Source: Adapted from Brown *et al.* (2014:62).

Exploratory research, however, does not always follow a structured design, as the main purpose is to gain insights and discover new ideas (Babin & Zikmund, 2016:65). This means that exploratory research techniques tend to be somewhat flexible. However, it is useful to consider previous research, previous literature and conducting a pilot study when exploratory research is selected.

- **Previous research:** The first step in developing an exploratory research project is to investigate previous research in order to search for projects, which addressed similar research problems (Babin & Zikmund, 2016:64).
- **Literature review:** After an investigation of previous research has been completed, the researcher searches for previous research in the public domain by doing a literature review (Brown & Suter, 2014:29). A literature review comprises searching published work such as periodicals, books and publicly available government, industry or business reports (Babin & Zikmund, 2016:64).
- **Pilot studies:** A pilot study is generally a small-scale, planned research project that collects data from respondents. This phase of research is crucial as the study is being refined, and a pilot study may reduce the risk of flaws in the research design (Babin & Zikmund, 2016:64).

5.3.3.2 Descriptive research

Descriptive research describes the characteristics of objects, people, groups, businesses or environments, and paints a picture of a given situation by addressing the questions regarding who, what, where, when, why and how (Babin & Zikmund, 2016:54). Descriptive research is well known for its use in scientific procedures to collect data and create structures that describe existing characteristics of a defined target group, such as their attitudes, intentions, preferences, purchase behaviours and the evaluation of current marketing mix strategies (Hair *et al.*, 2006:63; Shiu *et al.*, 2009:2). Furthermore, Brown *et al.* (2014:156) describe descriptive research as the most common research that is typically carried out by means of a survey and usually involves drawing a sample from a larger population. Descriptive research is appropriate when detailed information is required from the marketing environment and a clear problem statement and hypothesis can be formulated (Malhotra, 2010:106).

5.3.3.3 Causal research

Causal research is considered for researching cause-and-effect relationships of variables by means of experiments (Feinberg *et al.*, 2013:59). Causal research allows the researcher to make causal inferences, as this type of research seeks to recognise cause-and-effect relationships that illustrate how one event truly influences another (Babin & Zikmund, 2016: 54). Brown *et al.* (2014:156) also explain the causal research usually takes the form of experiments, as experiments are most suitable for cause-and-effect determination. As a result, this research design can easily become complex, time-consuming and expensive (Hair *et al.*, 2006:64). Table 5-1 presents a summary of the various characteristics of the types of research designs.

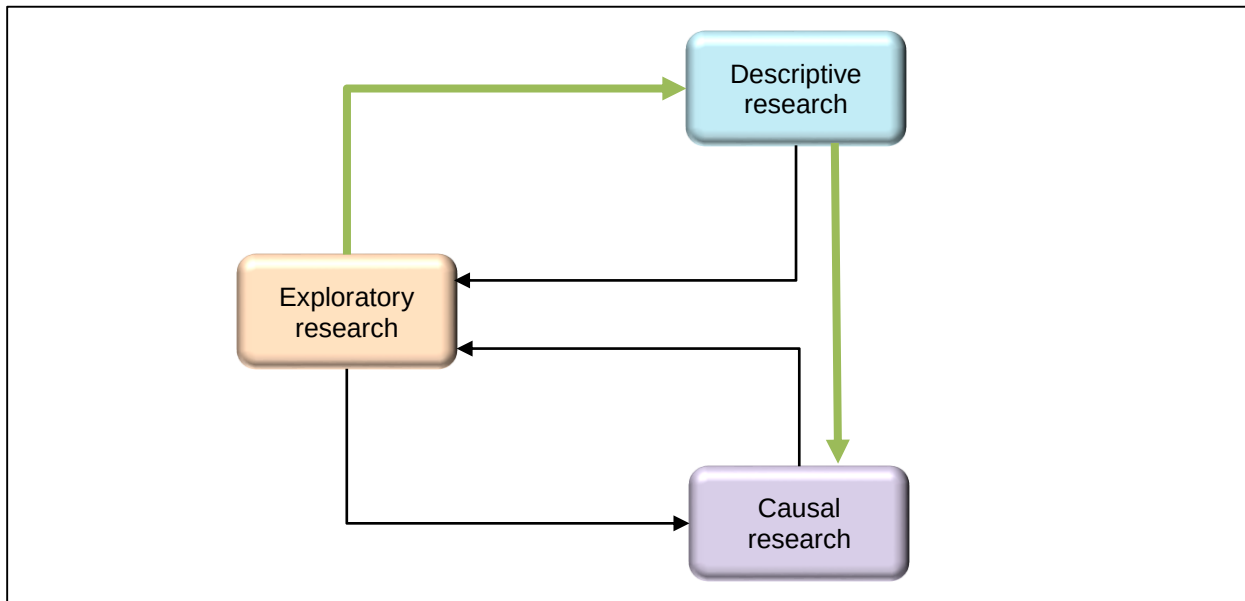
Table 5-1: Characteristics of different types of marketing research designs

	Exploratory research	Descriptive research	Causal research
Amount of uncertainty characterising decision situation	Highly ambiguous	Partially defined	Clearly defined
Key research statement	Research question	Research question	Research hypothesis
When conducted	Early stage of decision-making	Later stage of decision-making	Later stage of decision-making
Usual research approach	Unstructured	Structured	Highly structured
Nature of results	Discovery-oriented, productive, but still speculative. Often need further research.	Can be confirmatory; more research might be required. Results can be managerially actionable.	Confirmatory-oriented. Fairly conclusive with managerially actionable results often obtained.

Source: Adapted from Babin and Zikmund (2016:60).

The three main types of research can also be viewed in a continuous process as illustrated in Figure 5-3.

Figure 5-3: Relationship among types of primary data research



Source: Adopted from Brown *et al.* (2014:157).

As illustrated in Figure 5-2, exploratory research is often conducted as an initial step to gather insights and develop research problems, and flows into descriptive research where the researcher measures key dimensions (Brown *et al.*, 2014:157). However, the researcher might also decide to test the effectiveness of the proposed strategies based on the descriptive research results through a test market study where the main form of research would be causal (Brown *et al.*, 2014:157).

An exploratory research design is suitable for the study, as the study focuses on the development of a multi-item scale using Churchill's paradigm (1979) in order to measure the extent of customer engagement in the South African retail banking industry.

5.3.3.4 Qualitative versus quantitative research design

Another decision to consider, according to Peter and Donnelly (2008:30), is one regarding the nature of the research design, i.e. whether the research would be qualitative and/or quantitative in nature. When qualitative research techniques are considered, the research project commonly aims to explore motivations of a target population and therefore the method is required to be more flexible and less structured (Hair *et al.*, 2006:137). Furthermore, qualitative research consists of documented, visual or verbalised information, as the emphasis of qualitative research is not on

numbers but on stories, visual portrayals, meaningful characterisations, interpretations and other expressive descriptions (Babin & Zikmund, 2016:113). As indicated in Table 5-2, several qualitative research tools can be used to collect qualitative data.

Table 5-2: Qualitative research tools

Tool	Description	Approach	Key advantages	Key disadvantages
Focus group interviews	Small group discussions led by a trained moderator	Ethnography, case studies	Can be done quickly Provide multiple perspectives Flexibility	Results do not generalise to a larger population Difficult to use for sensitive topics Expensive
In-depth interviews	One-to-one, probing interview between a trained researcher and a respondent	Ethnography, grounded theory, case studies	Provide considerable insight from each individual Good for understanding unusual behaviours	Results not meant to generalise Very expensive per interview
Conversations	Unstructured dialogue recorded by a researcher	Phenomenology, grounded theory	Provide unique insights from enthusiasts Possible to cover sensitive topics Less expensive than in-depth interviews or focus groups	Easy to get off course Interpretations are very researcher-dependent
Semi-structured interviews	Open-ended questions, often in writing, asking for short essay-type answers from respondents	Grounded theory, ethnography	Possible to address specific issues Results can be interpreted easily Cost advantages over focus groups and in-depth interviews	Lack the flexibility that is likely to produce truly creative or novel explanations
Word association/sentence completion	Records the first thoughts that come to a consumer's mind in response to some stimulus	Grounded theory, case studies	Economical Can be done quickly	Lacks the flexibility that is likely to produce truly creative or novel explanations
Observation	Recorded notes describing observed events	Ethnography, grounded theory, case studies	Usually unobtrusive Could reveal actual behaviour patterns	Could be very expensive with participant observer series

Table 5-2: Qualitative research tools (cont.)

Tool	Description	Approach	Key advantages	Key disadvantages
Collages	Respondents assemble pictures that represent their thoughts and/or feelings	Phenomenology, grounded theory	Flexible enough to allow novel insights	Highly dependent on the researcher's interpretation of the collage
Thematic apperception/ cartoon tests	Researcher provides an ambiguous picture and respondents tell the story	Phenomenology, grounded theory	Projective, allows to get at sensitive issues Flexible	Highly dependent on the researcher's interpretation

Source: Adopted from Babin and Zikmund (2007:140).

Conversely, research projects that require a systematic procedure to collect data in numeric form from a large sample with the intention of projecting the results to a wider population will generally follow a quantitative research method (Peter & Donnelly, 2008:30; Tustin *et al.*, 2005:89). This is confirmed by Babin and Zikmund (2016:113), who describe that quantitative research indicates singularities by allocating numeric values in a systematic and meaningful way. According to Hair *et al.* (2006:171), surveys are most commonly associated with quantitative research.

According to Babin and Zikmund (2016:68), no single best research design fits all situations, and researchers often consider several alternatives in order to achieve the research objectives.

For this study, a quantitative research design was implemented. Qualitative research techniques were, however, also used to assist in developing the initial items to be included in the initial customer engagement scale to be fielded. An experience survey was conducted amongst a sample of experts (including academics specialising in the fields of consumer behaviour, services marketing and relationship marketing) selected through judgement by the candidate. The experts were asked to review the items generated to measure the extent of customer engagement within the context of the study. Based upon their responses, items were adapted, removed or added.

5.3.4 Step 4: Collect the data

The data collection phase commences once the sampling plan is in place (Babin & Zikmund, 2016:69). The choice of a data collection method is one of the most critical decisions in the marketing research process (Shiu *et al.*, 2009:448). Aaker *et al.* (2013:220) identify three basic survey methods, namely personal interviews, telephone interviews and self-administered surveys. The decision to choose a method is affected by a number of factors, namely the sample, question form, question content, response rate, available facilities, duration of data collection and costs (Aaker *et al.*, 2013:221–224). Sampling refers to choosing a subset from a larger population,

which is invited to participate in the research study where the researcher may draw conclusions based on measurements of a portion of the entire population (Babin & Zikmund, 2016:69). Sampling begins with the identification and specification of a target population, followed by determination of the acquired sample size as well as how to select the sampling subsets (Aaker *et al.*, 2013:80). Consequently, the sample is made up of respondents whom the researcher considers may answer the research problems, and comprises those who are involved in the identified market, such as key players or consumers (Bradley, 2010:38).

The sampling plan will be discussed as illustrated in Figure 5-1, beginning with defining the target population, identifying the sampling frame, selecting the sampling procedure, determining the sample size and selecting sample elements. This is followed by a discussion of the data collection.

5.3.4.1 Sampling plan

5.3.4.1.1 Define the target population

Specifying the target population is a fundamental aspect of the sampling plan and can allow a small proportion of the total population to give a reliable measure, without exceeding the time and money budgeted for the research project (Brown & Suter, 2014:8).

The population **for this study** consisted of adults, 20–70 years old, living in the Johannesburg metropolitan area who had been making use of the retail banking services of one of the main retail banks that dominate the South African market (Absa, Capitec Bank, FNB, Nedbank and Standard Bank) for two years or more as indicated in Table 5-3. Because this study aimed to develop a multi-item scale that measures customer engagement, it was decided to define the study population in such a way as to ensure that prospective respondents had been customers of one of the major South African retail banks for at least two years, as they would already have had a relationship with the bank for some time and may already have engaged with the bank.

Table 5-3: Sampling plan

Population	Adults (20 to 70 years old), living in the Johannesburg metropolitan area, who are customers of Absa, Capitec Bank, FNB, Nedbank and Standard Bank.	
Sampling frame	No sampling frame was available.	
Sampling method	Non-probability, convenience and quota sampling.	
Sampling units and elements	Customers who have made use of the banking services of one or more of the major South African retail banks for the past two or more years.	
Sample size	First purification phase	160 respondents required (231 usable questionnaires collected)
	Second purification phase	75 respondents required (152 usable questionnaires collected)

5.3.4.1.2 Identify the sampling frame

In this study, a sampling frame was not available as a result of the 2013 Protection of Personal Information Act. For this reason, a non-probability convenience sampling method was used **for this study**, while quota sampling (based on gender, age and race) was implemented to ensure representativeness of the study population. According to StatsSA (2011), the total population count of Johannesburg is 4.4 million of which 76% are black, 12.3% white, 2.6% coloured and 4.9% are Indian. The population is further almost equally divided amongst female (49.8%) and male (50.2%) individuals. The aim of using quota sampling was to attempt to involve respondents of all four of the race groups as indicated. Furthermore, quotas based on age were also included. According to StatsSA (2011), 26.6% of the population in Johannesburg are between the ages of 20 and 49 years, whilst the minority of the population are between the ages of 50 and 70 years (6.2%). The aim of using these quotas was to select respondents of each age group to participate in the study. However, based on the statistics the 'baby boomer' group seemed to be the most challenging to attain. Table 5-4 shows the sampling quotas for this first data collection phase.

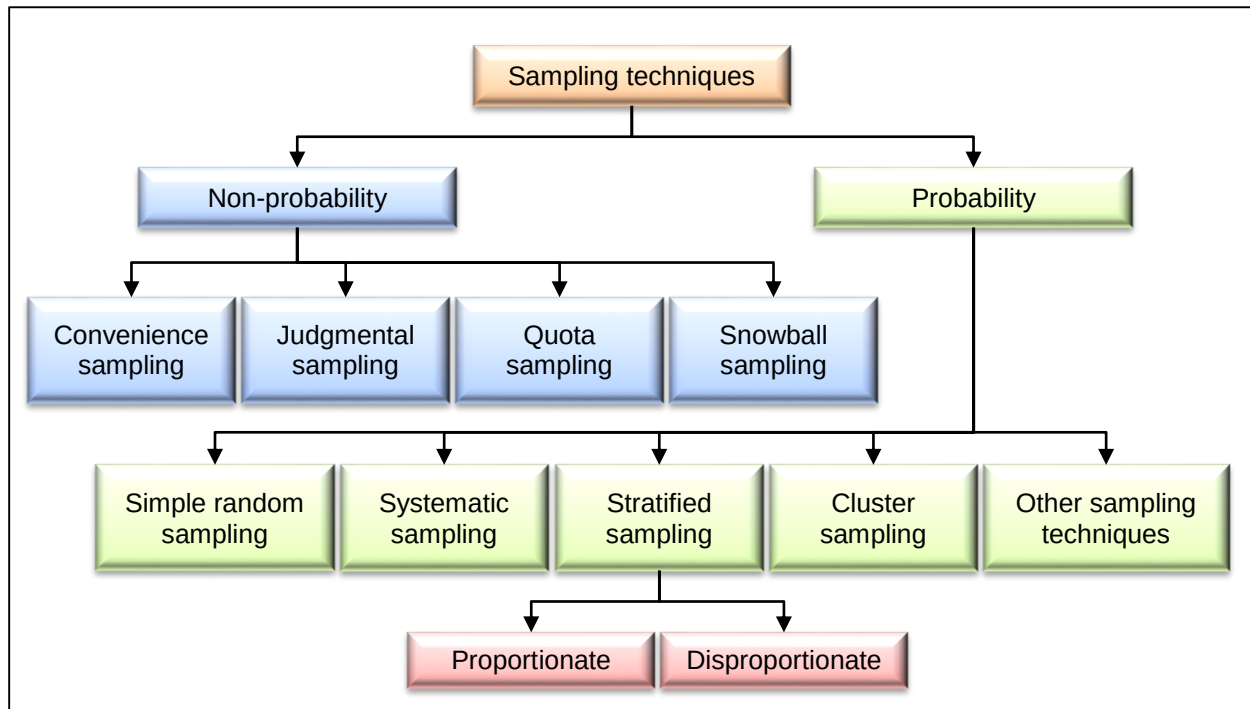
Table 5-4: Sampling quotas for the first data collection phase

Race	Gender	Generation X (20 – 37 years)	Generation Y (38 – 49 years)	Baby boomers (50 – 70 years)	Total
Black	Female	10	10	10	30
	Male	10	10	10	30
Coloured	Female	10	10	10	30
	Male	10	10	10	30
Indian	Female	10	10	10	30
	Male	10	10	10	30
White	Female	10	10	10	30
	Male	10	10	10	30
Total		80	80	80	240

5.3.4.1.3 Select the sampling procedure

The researcher also has to determine and choose the best sampling methods and techniques for the specific research project (Bradley, 2010:160). The two sampling designs that were considered, were probability and non-probability sampling. The various sampling designs and sampling techniques that researchers may consider are illustrated in Figure 5-4.

Figure 5-4: A classification of sampling techniques



Source: Adopted from Malhotra (2010:376).

(i) Probability sampling

Probability sampling methods refer to different techniques where random sampling is conducted, as the selection takes place on a known probability and includes simple random, systematic, stratified random and cluster sampling techniques (Malhotra, 2010:376). Probability sampling enables the researcher to generalise the results of the research to the target population (Shiu *et al.*, 2009:470).

- **Simple random sampling** ensures that every single element of the population included in the sample has an equal chance of being selected (Babin & Zikmund, 2016:351). This sampling technique ensures that every element is independently selected by a random procedure, which means that each person has an equal probability of being selected for participation in the study (Malhotra, 2010:382).
- **Systematic sampling** entails that the researcher selects a starting point, and by random procedure then selects every n^{th} respondent to take part in the research project (Babin & Zikmund, 2016:351). Shiu *et al.* (2009:472) explain this is a probability sampling technique that involves the ordering of the defined target population.
- **Stratified random sampling** is a sampling technique that uses a two-step process to divide the population into subpopulations or strata (Malhotra, 2010:384). The samples for the research project are then selected from each subgroup (Shiu *et al.*, 2009:474).

- **Cluster sampling** is an economically proficient sampling method as the primary sampling unit is a large cluster of elements that have been selected randomly (Babin & Zikmund, 2016:354). According to Malhotra (2010:385), it is important to divide the target population firstly into mutually exclusive subpopulations (clusters) before a random sample of clusters is selected to be included in the research probabilistically (Malhotra, 2010:385).

These above-mentioned probability sampling techniques are compared in Table 5-5 in terms of their description, cost and degree of use as well as advantages and disadvantages.

Table 5-5: Comparison between various probability sampling techniques

	Simple random	Systematic	Stratified	Cluster
Description	Assigns a number to each member of the sample frame, then selects sample units by random methods	Natural ordering of the sampling frame, selects an arbitrary starting point, selects items at a preselected interval.	Divides population into groups and randomly selects subsamples from each group. Variations include proportional, disproportional, and optimal allocation of subsample sizes.	Selects sampling units at random, then does a complete observation of all units or draws a probability sample in the group.
Cost and degree of	High cost Moderately used in practice	Moderate cost Moderately used	High cost Moderately used	Low cost Frequently used
Advantages	Only minimal advanced knowledge of population needed Easy to analyse data and compute error	Simple to draw sample Easy to check	Ensures representation of all groups in sample Characteristics of each stratum can be estimated and comparisons made Reduces variability for same sample size	Geographically defined clusters, lowest field cost Requires listing of individuals only within clusters Can estimate characteristics of clusters and population
Disadvantages	Requires sampling frame to work from Does not use knowledge of population that researcher may have Larger errors for same sampling size than in stratified sampling Respondents may be widely dispersed; cost may be higher	If sampling interval is related to periodic ordering of the population, this may introduce increased variability	Requires accurate information on proportion in each stratum If stratified lists are not readily available, they can be costly to prepare	Larger error for comparable size than other probability samples Researcher must be able to assign population members to unique clusters or else duplication or omission of individuals will result

Source: Adapted from Zikmund and Babin (2010:314).

(ii) Non-probability sampling

Non-probability sampling uses the selection of sampling units based in the researcher's instinctive judgement (Shiu *et al.*, 2009:470). As a result, non-probability sampling does not allow for unbiased assessment or generalisation of the research results (Malhotra, 2010:376).

- **Quota sampling**, according to Shiu *et al.* (2009:482), entails that participants are selected according to pre-specified quotas for
 - either one of demographic characteristics (such as gender, age, race or income);
 - specific attitudes (such as satisfied customers or dissatisfied customers); or
 - specific behaviours (such as the consumption rate: occasionally, regularly or not at all).

According to Babin and Zikmund (2016:349), the quota sampling technique ensures that various subgroups of a population will be represented on relevant characteristics for research purposes.

- **Judgement sampling** entails that the researcher selects population elements to partake in the study based on personal judgement (Malhotra, 2010:379). Bradley *et al.* (2010:166) describe that the researcher or fieldworker makes a decision on selecting a sample that he or she believes will be most helpful in the study.
- **Convenience sampling** – a sample is selected based on convenience and this is decided primarily by the researcher (Malhotra, 2010:376). This sampling procedure obtains the most conveniently available sample elements or people to be included in the study (Babin & Zikmund, 2016:348).
- **Snowball sampling** takes place when the sample is generated from the people who have initially been selected to participate in the study and who recommends other respondents with specific characteristics which are then contacted to become involved in the research study (Babin & Zikmund, 2016:350; Bradley, 2010:167).

These abovementioned non-probability sampling techniques are compared with each other in Table 5-6 in terms of their description, cost and degree of use as well as advantages and disadvantages.

Table 5-6: Comparison between various non-probability sampling techniques

	Convenience	Judgement	Quota	Snowball
Description	Uses the most convenient sample or economical sample units	Selects the sample to fulfil a purpose, such as ensuring that all members have a certain characteristic	Classifies the population by pertinent properties, determines the desired proportion to sample from each class, and fixes quotas for each interviewer	Initial respondents are selected by probability sampling; additional respondents are obtained by referral from initial respondents
Cost and degree of use	Very low cost Extensively used	Moderate cost Average use	Moderate cost Very extensively used	Low cost Used in special situations
Advantages	No need for list of population	Useful for certain types of forecasting Sample guaranteed to meet a specific objective	Introduces some stratification of population Requires no list of population	Useful in locating members of rare populations
Disadvantages	Unrepresentative samples are likely Random sampling error estimates cannot be made Projecting data beyond sample is relatively risky	Bias due to expert's beliefs may make sample unrepresentative Projecting data beyond sample is risky	Introduces bias in researcher's classification of subjects Non-random selection within classes means error from population cannot be estimated Projecting data beyond sample is risky	High bias because sample units are not independent Projecting data beyond sample is risky

Source: Adapted from Zikmund and Babin (2010:312).

As this section indicates, various differences exist between probability and non-probability sampling. Table 5-7 summarises and compares the different sampling techniques based on a number of comparison factors namely population lists, information about the sampling units, sampling skills required, time requirements, cost per sample unit, estimates of population parameters, sample representatives, accuracy and reliability and measurement of the sampling error.

Table 5-7: Summary of differences between probability and non-probability sampling

Comparison factors	Probability sampling	Non-probability sampling
List of population elements	Complete list necessary	Complete list not necessary
Information about the sampling units	Each unit identified	Some essential information needed
Sampling skill required	Skill required	Less skill required
Time requirement	Time-consuming	Less time-consuming
Cost per unit sampled	Moderate to high	Relatively low
Estimates of population parameters	Unbiased	Biased
Sample representativity	Good, assured	Suspect, undeterminable
Accuracy and reliability	Computed with confidence intervals	Unknown
Measurement of sampling error	Statistical measures	No true measure available

Source: Adopted from Shiu *et al.* (2009:470).

For the purpose of this study, an exploratory research design was utilised and the sample was drawn by means of non-probability sampling on the basis of convenience since:

- the study concentrated on the development of a multi-item scale using Churchill's paradigm (1979) in order to measure the extent of customer engagement in the South African retail banking industry;
- not all banking customers in Johannesburg metropolitan area could be identified effectively;
- retail banks were disinclined to provide detailed client lists resulting in non-probability sampling as the only viable option;
- the target population was particularly large; and
- this method was less expensive to pursue.

5.3.4.1.4 Determine the sample size

The sample size refers to the number of respondents taking part in the study (Malhotra, 2010:374). When developing a multi-item scale, the sample size depends on the number of constructs identified, and as discussed by Hair *et al.* (1998), a general rule is that five respondents are needed per item in the scale. During the first data collection phase of the multi-item scale development, the questionnaire comprised 43 items and therefore a sample size of 215 respondents was recommended. However, to ensure accurate data collection, to ensure enough useable questionnaires and to make provision for inaccurate completed questionnaires, a total of 231 questionnaires were used for data collection.

5.3.4.1.5 Select sample elements

As discussed (see section 5.3.4.1.1), the sampling elements **for this study** were selected based on convenience and availability, and included respondents 18 years or older at the time of the study, living in the Johannesburg metropolitan area and who had been using the retail banking services of one of the main retail banks, which dominated the South African market at the time of this research, for two years or more. This is also illustrated in the sampling plan (Table 5-4).

5.3.4.2 Collect data

The next phase of the marketing research process entailed the collection of primary data from the sample identified in the previous section. During this phase, trained fieldworkers (i.e. honours students at the NWU, with experience in fieldwork and marketing research, and who were taking Marketing Research as a module as part of their honours degree) were responsible for the identification of respondents who met the requirements to participate in the study based upon the screening question in the questionnaire, and the willingness of respondents to participate in the study. Furthermore, fieldworkers received clear data collection instructions in the form of a questionnaire fielding report (Appendix D). Specific quotas were also assigned to each fieldworker based on age, gender and race. The fieldworkers used for the study were four marketing honours students at the NWU, Potchefstroom campus, who were living in the Johannesburg area at the time of the study.

The questionnaire design is discussed in the next section, including the various sections comprising the questionnaire.

5.3.4.2.1 Questionnaire design

A self-administered questionnaire was used to collect data **for this study** with the purpose of developing a multi-item scale to measure the extent of customer engagement in the South African retail banking industry. During the item generation phase of the study, careful attention was paid to the wording, grammar, sentence structure, appearance and design of the questionnaire to reduce the non-sampling error. The questions and items were phrased in a simple and direct manner and double-barrelled questions and items were avoided in order to increase understanding (Zikmund & Babin, 2007:464).

The self-administered questionnaire comprised three sections:

- **Retail banking patronage habits section:** This section aimed to collect information on respondents' retail bank patronage habits. This information had to provide insight into

respondents' behaviour towards their retail bank. Questions from this section were closed-ended (with predetermined response choices) and required information of participants regarding types of personal accounts, the length of their relationship with the retail bank, and visiting the branch of the retail bank or its online environments (website/ social media sites). Table 5-8 provides a summary of the questions included in this section, and the available response formats.

Table 5-8: Retail banking patronage habits section

Question	Response format	Measure
At which one of the following banks do you hold your personal account or most of your personal accounts?	Multiple choice	Nominal
Please indicate all the types of personal accounts you currently hold (at the bank indicated in question 1).	Multiple choice	Nominal
How long have you been a customer at the bank indicated in question 1?	Multiple choice	Nominal
How often do you visit the branch of the bank indicated in question 1?	Multiple choice	Nominal
How often do you visit the website or social media of the bank indicated in question 1?	Multiple choice and open-ended option	Nominal

- **Customer engagement section:** This section included all the items identified to measure the extent of customer engagement within the context of the study. These items were measured on an unlabelled 7-point Likert-type scale, where 1 indicated 'strongly disagree' and 7, 'strongly agree'. Respondents were asked to indicate their agreement with each statement of customer engagement.

Table 5-9 provides a summary of the questions asked in the questionnaire during the first and second data collection phases.

Table 5-9: Statements of customer engagement of the questionnaire used for the first and data collection phases

First data collection phase		
Statement	Response format	Measure
My bank makes me feel like I belong.	Likert scale	Interval
The employees at my bank make me feel welcome.	Likert scale	Interval
I am proud to be a customer of my bank.	Likert scale	Interval
My bank's employees inspire me.	Likert scale	Interval
When dealing with the employees at my bank I feel pleased.	Likert scale	Interval
I do not feel ambushed with communication from my bank (emails, text messages, phone calls)	Likert scale	Interval

Table 5-9: Statements of customer engagement of the questionnaire used for the first and data collection phases (cont.)

First data collection phase		
Statement	Response format	Measure
I care about my bank.	Likert scale	Interval
I care about my bank's product and service offerings.	Likert scale	Interval
I have a positive attitude towards my bank.	Likert scale	Interval
I feel that the employees at my bank treat me fairly.	Likert scale	Interval
It feels good to be a customer of my bank.	Likert scale	Interval
I cannot imagine a world without my bank.	Likert scale	Interval
I am usually deeply captivated by my bank's capabilities.	Likert scale	Interval
Time passes quickly while I interact with my bank.	Likert scale	Interval
I am dependent on my bank's online interaction.	Likert scale	Interval
I mostly have positive service interactions with my bank.	Likert scale	Interval
My bank keeps its promises.	Likert scale	Interval
My bank is reliable.	Likert scale	Interval
My bank has integrity.	Likert scale	Interval
My bank is perfect for people like me.	Likert scale	Interval
I feel energised when interacting with my bank.	Likert scale	Interval
I am completely involved when interacting with my bank.	Likert scale	Interval
I am willing to put effort into interacting with my bank.	Likert scale	Interval
I share my ideas on improving my bank's products and/or services.	Likert scale	Interval
I complain to other people when I am unsatisfied with my bank.	Likert scale	Interval
I am willing to complain to my bank when I am unsatisfied.	Likert scale	Interval
I am willing to try other products or services of my bank.	Likert scale	Interval
I have confidence in my bank's products and services.	Likert scale	Interval
I have confidence in my bank's employees.	Likert scale	Interval
My bank makes me feel like I belong.	Likert scale	Interval
The employees at my bank make me feel welcome.	Likert scale	Interval
I am proud to be a customer of my bank.	Likert scale	Interval
My bank's employees inspire me.	Likert scale	Interval
I care about my bank's product and service offerings.	Likert scale	Interval
Interacting with my bank is time-consuming.	Likert scale	Interval
I mostly have positive service interactions with my bank.	Likert scale	Interval
My bank keeps its promises.	Likert scale	Interval
My bank is reliable.	Likert scale	Interval

Table 5-9: Statements of customer engagement of the questionnaire used for the first and data collection phases (cont.)

First data collection phase		
Statement	Response format	Measure
My bank has integrity (acts fairly, ethically and openly in everything it does).	Likert scale	Interval
I feel energised when interacting with my bank.	Likert scale	Interval
I am completely involved when interacting with my bank.	Likert scale	Interval
I am willing to put effort into interacting with my bank.	Likert scale	Interval
I frequently make use of my bank's products and services.	Likert scale	Interval
I frequently participate in the activities of my bank (such as fund raisers, competitions, etc.)	Likert scale	Interval

- **Demographic section:** Lastly, this section aimed to obtain demographic information regarding respondents. Questions from this section were closed-ended (with predetermined response choices) with one open-ended question. Table 5-10 presents questions asked.

Table 5-10: Demographic section questions

Question	Response format	Measure
In which year were you born?	Open-ended	Nominal
What is your gender?	Dichotomous	Nominal
What is your home language?	Multiple choice	Nominal
Which one of the following options describes your employment status the best?	Multiple choice	Nominal
What is your highest level of education?	Multiple choice	Ordinal

5.3.5 Step 5: Analyse and interpret the data

The editing and coding of data can be conducted once the fieldwork (data collection phase) is completed (Babin & Zikmund, 2016:70). The raw data obtained from the questionnaires must undergo initial preparation before it can be analysed, which comprises data editing, coding and statistical adjustment if required (Aaker *et al.*, 2013:404; Malhotra, 2010:42). During this phase, the data is converted into a format that can give meaning, and comprises editing the data to ensure that errors are excluded, and coding items in a categorical or numeric form (Babin & Zikmund, 2016:70). Data analysis is performed to identify consistent patterns from the gathered information as well as to compute, summarise and understand the data (Babin & Zikmund, 2016:70). Statistical analyses are also performed during the data processing and analysis phase

of marketing research (Babin & Zikmund, 2016:70; Malhotra, 2010:466). The next section describes the descriptive statistics used in the study.

5.3.5.1 Descriptive statistics

Descriptive statistics summarises basic findings of the sample and is commonly used to reveal central tendencies and variability of responses (Burns & Bush, 2014:319; Shiu *et al.*, 2009:513). The descriptive statistics used to describe the data **for this study** comprised frequencies, percentages, means and standard deviations, independent samples t-test, and ANOVAs and are discussed below.

(i) Frequency

Frequency distribution reveals the number of occurrences of each number in a set of numbers, and typically represents raw counts that are transformed into percentages in order to simplify comparison (Burns & Bush, 2014:321). In easier terms, Shui *et al.* (2009:514) state that frequency is the number of times a certain number appears in the data set.

(ii) Percentage distribution

Percentage distribution is the result of transforming frequencies into percentages where the sum of these values is 100% (Burns & Bush, 2014:321; Zikmund & Babin, 2007:431).

(iii) Mean

The mean is the mathematical average of all the raw responses (Shui *et al.*, 2009:515). The mean (or average) is computed by means of the following formula (Burns & Bush, 2014:320; Zikmund & Babin, 2007:431):

$$\text{Mean } (\bar{x}) = \frac{\sum_{i=1}^n x_i}{n}$$

Where:

n = the number of cases

x_i = each individual value

Σ = signifies that all the x_i values are summed

(iv) Standard deviation

The standard deviation (SD) specifies the degree of variation or variety in the values in such a way as to be changeable into a normal or bell-shaped curve distribution (Burns & Bush, 2014:321). According to Shui *et al.* (2009:515), the SD indicates how similar or different the

values in the set of responses are. The SD can be calculated with the following formula (Zikmund & Babin, 2007:437):

$$S = S = \sqrt{S^2} = \sqrt{\frac{\sum(x_i - \bar{x})^2}{n-1}}$$

According to Feinberg *et al.* (2013:399), the SD is the most significant summary measure in statistics (*next to the mean*).

(v) Independent samples t-test

The independent samples t-test is used to compare the mean scores of two different groups (males and females) of people (Pallant, 2013:247).

(vi) One-way ANOVAs

The one-way ANOVA (analysis of variance) is similar to a t-test; however, during this analysis, the mean scores of two or more groups on a continuous variable are compared. According to Pallant (2013:109), the researcher determines whether the independent variable will affect the dependent variable and also whether it will provide the researcher with the significance of the difference that exists.

However, successful research requires a measure to be reliable and valid (Burns & Bush, 2014: 214). This is discussed in the next section.

5.3.5.2 Reliability

The reliability of a measure is the degree to which the measurement procedure is free from random errors, and subsequently reliability is concerned with the consistency, precision and predictability of research findings (Feinberg *et al.*, 2013: 128; Zikmund & Babin, 2007:60). A reliable measure attains identical or very similar responses from the same respondent or group repeatedly (Burns & Bush, 2014:214; Malhotra, 2010:318). The main methods for measuring reliability comprises test–retest reliability, alternative forms reliability and split-half method reliability. These methods for measuring reliability are briefly discussed below.

5.3.5.2.1 Test–retest reliability

Test–retest reliability involves repeatedly measuring the same person or group by means of the same scaling device under similar conditions and comparing the results (Feinberg *et al.*, 2013:132). Malhotra (2010:318) explains that respondents are administered identical sets of scale items at two different times, but under equivalent conditions. This typically takes place two to four

weeks apart. When the results are compared and are similar to each other, the lower the random error and the higher the reliability; however, when there is a discrepancy in the results, the random error is greater and the reliability is lower (Feinberg *et al.*, 2013:132).

5.3.5.2.2 Alternative forms reliability

Alternative forms reliability consists of providing the respondent or group with two distinct forms that are believed to be comparable to each other and compare the results (Feinberg *et al.*, 2013:132). Malhotra (2010:319) states that two equivalent forms of the scale are constructed and the same respondents are measured at two different times also two to four weeks apart, but with a different scale and each alternative scale is correlated to assess reliability.

5.3.5.2.3 Split-half reliability

Split-half reliability involves dividing a multi-item measurement device into equivalent groups and correlating the item responses in order to estimate reliability (Feinberg *et al.*, 2013:132). The scale items can be split into halves based on odd- and even-numbered items or randomly, and high correlations between the halves indicate high internal consistency (Malhotra, 2010:319).

The validity of a measure refers to the extent to which the measurement proves it is free from systematic and random error (Feinberg *et al.*, 2013:128). Validity is therefore a broader and more challenging issue than reliability, and is discussed in the next section.

5.3.5.3 Validity

Validity refers to the accuracy and truthfulness of a measurement (Burns & Bush, 2014:214). Malhotra (2010:320) defines the validity of a scale as the extent to which differences in scale scores reflect true variances rather than systematic or random error. In simpler terms, a valid study measures what it should measure (Zikmund & Babin, 2007:60). In marketing research, researchers infer the validity of the measurement by using one or more of the main assessment methods, namely construct, content, concurrent and predicting validity (Feinberg *et al.*, 2013:130). These methods are discussed next. According to Churchill's procedure (1979:70), only construct validity needs to be determined in order for the scale to be valid; however, **for this study**, face, construct, criterion as well as nomological validity were determined.

5.3.5.3.1 Construct validity

Construct validity addresses the question of which construct or characteristic the scale is actually measuring (Malhotra, 2010:320). Construct validity involves understanding the theoretical foundation underlying the research measurement (Feinberg *et al.*, 2013:130). Construct validity

is also described as the degree to which the research variables are completely and correctly identified prior to hypothesising any functional relationship (Shiu *et al.*, 2009:282).

Construct validity can be evaluated with other approaches. For example, if the construct exists it should in theory be successfully measured by methods that are independent, which means that convergent validity can be used (Feinberg *et al.*, 2014:130). According to Malhotra (2010:321), *convergent validity* is the extent to which the scale correlates positively with other measures of the same construct. Convergent validity is therefore, the measurement of an existing construct with independent measurement methods, indicating a high degree of correlation among measures (Feinberg *et al.*, 2013:130; Shiu *et al.*, 2009:282). Alternatively, *discriminant validity* can also be used when a construct exists and needs to be distinguished from constructs that differ from it (Feinberg *et al.*, 2013:131). Discriminant validity involves the degree to which concepts or variables that theory stipulates should not be related, differ in reality (Malhotra, 2010:321).

5.3.5.3.2 Content validity

According to Malhotra (2010:320), content validity is an individual but systematic evaluation of how well the content of a scale embodies the measurement task at hand. Content validity consists of subjective judgements by experts about the suitability of the measurement. This method is frequently used in marketing research to determine validity as experts normally provide more abundant information, than hard data (Feinberg *et al.*, 2014:131). Content validity is often called Face validity as the importance of this method falls on the expert's critical eye to determine the appropriateness of the measure to measure the underlying construct (Feinberg *et al.*, 2013:131; Malhotra, 2010:320; Zikmund & Babin, 2010:336).

5.3.5.3.3 Concurrent validity

Concurrent validity involves correlating two different measurements of the similar marketing occurrence, which are administered at the same time to infer the validity of new measurement methods by comparing them with recognised methods (Feinberg *et al.*, 2013:131).

5.3.5.3.4 Predictive validity

Predictive validity involves the ability of a measured marketing occurrence at one point in time to predict another marketing occurrence at a further point in time (Feinberg *et al.*, 2013:131; Zikmund & Babin, 2010:336). Predictive validity takes place when a measure can correctly forecast what theory says it should (Feinberg *et al.*, 2013:131). Once the data processing and analysis phase of marketing research is complete, the researcher can draw conclusions from the data analysis

that specifically address the research problem and objectives developed in the former phases of the planned research plan (Babin & Zikmund, 2016:70).

5.3.5.3.5 Nomological validity

Nomological validity is defined by Netemeyer *et al.* (2003:86) as the degree to which the measure fits into a network of relationships. This means that nomological validity aims to determine the degree to which a measure functions in a set of theoretical constructs and their corresponding measures. In order to determine the fit of the proposed nomological structure model (see Figure 6.14), and to test the relationships between customer satisfaction, customer trust, customer engagement and customer loyalty, structural equation modelling (SEM) was conducted. A SEM is a multivariate tool that is used in research to examine theory by offering an omnibus assessment of fit that is focused on a goodness of fit test (Zikmund & Babin, 2010:630). In order to determine whether a SEM fits the observed data, several fit indices need to be reported including the χ^2/df , comparative fit index (CFI), normed fit index (NFI) and root means square error of approximation (RMSEA). The nomological validity (including the calculated fit indices) of the present study is presented in Chapter 6 (see section 6.7.4.5).

5.3.6 Step 6: Prepare and present the report

The final phase of marketing research entails the presentation of a formal report that describes the findings and conclusions of the research project (Babin & Zikmund, 2016:70). The complete research process has to be documented in a written report that addresses the identified research objectives and includes a discussion of the research approach and research design, the way data was collected, and the data analysis procedures that were adopted in addition to the main findings of the research (Malhotra, 2010:12).

Although the previous sections of this chapter indicated the importance and various steps of the marketing research process, it is important to remember that the aim of this study was to develop a multi-item scale to measure customer engagement in the South African retail banking industry. Therefore, it is furthermore necessary to examine scale development and the method used to develop a scale for this particular study specifically. The scale development procedure followed in this study was based on Churchill's (1979:66) procedure, and is discussed in 5.4 below.

5.4 SCALE DEVELOPMENT

As this study aimed to develop a scale, it is important to understand what such a scale entails. According to Hair *et al.* (2010:168), two scale types exist, namely single-item scales and multi-item scales. *Single-item scales* involve the collection of data about a singular attribute of an

examined construct, while *multi-item scales* include several statements relating to an examined construct, where each item has a rating scale devoted to it (Hair *et al.*, 2010:168).

For this reason, the present study aimed to develop a reliable and valid multi-item scale, as customer engagement has various attributes, and various items (with ratings scales) are used to measure these attributes.

Babin and Zikmund (2016:271) define a scale as a device that embodies a collection of values that relate to properties of an examined construct during the research process. A scale is further defined as a set of symbols or numbers that are specifically constructed so that the symbols or numbers can be allocated by a rule to the individual's (their behaviours or attitudes) to whom the scale is applied (McDaniel & Gates, 2013:210). When creating a scale it is important first to identify the level of measurement that is desired, whether it is nominal, ordinal, interval or ratio. Table 5-11 illustrates the four basic levels of measurement.

In order to obtain useful results, it is suggested by Babin and Zikmund (2016:53) that the type of research selected should match the individual need or decision for conducting the research.

Table 5-11: Basic levels of measurement

Level	Basic empirical description	Operations	Typical description	Statistics
Nominal	Uses numerals to identify objects, individuals, events or groups.	Determine equality or inequality.	Classification	Frequency counts Percentages Modes
Ordinal	In addition to identification, provides information about the relative number of some characteristic(s) possessed by an event or object.	Determine greater or lesser ...	Rankings/ratings	Frequencies Modes Medians Ranges
Interval	Possesses all the properties of nominal and ordinal scales, including equal intervals between consecutive points.	Determine equality of intervals.	Preferred measure of complex concepts constructs	Means Medians Variances SDs
Ratio	Incorporates all the properties of nominal, ordinal and interval scales, plus an absolute zero point.	Determine equality of ratios.	Preferred measure when precision instruments are available	Means Medians Variances SDs

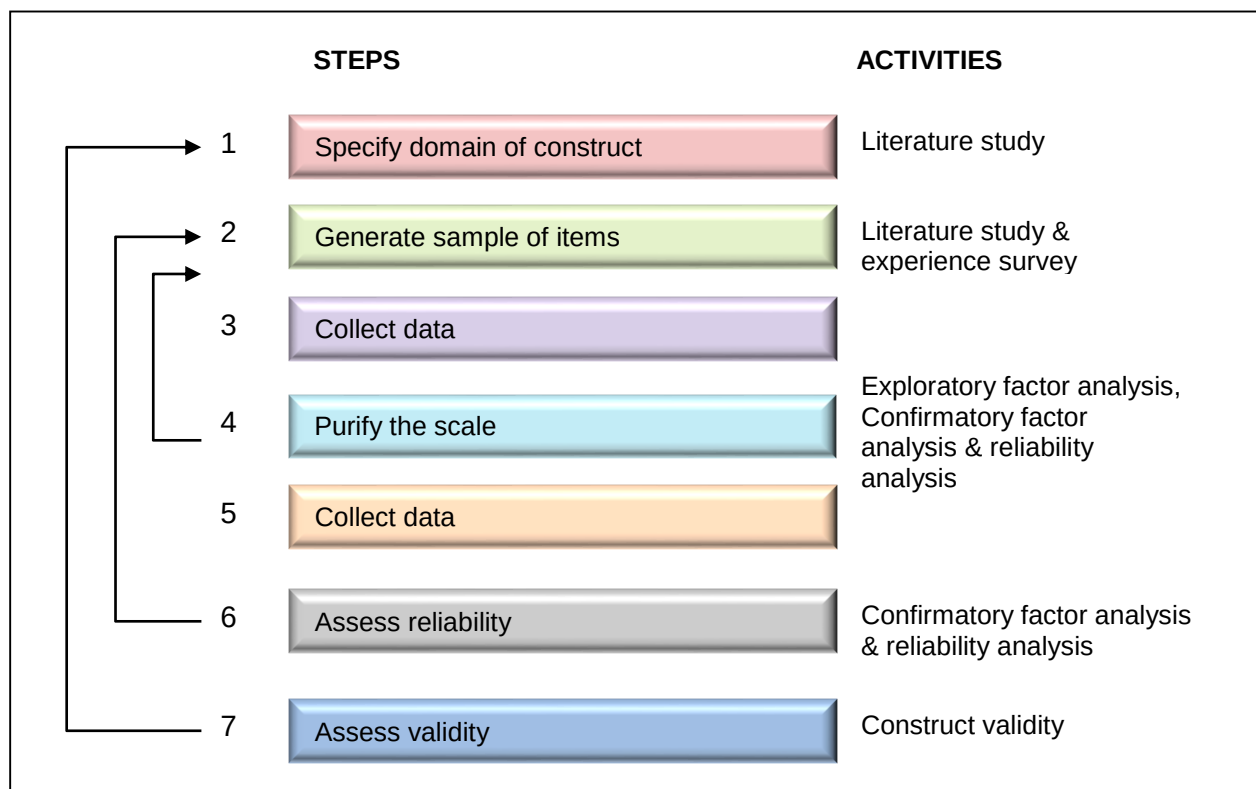
Source: Adapted from Babin and Zikmund (2016:274) and McDaniel and Gates (2013:210).

In order to obtain useful results, it is suggested by Babin and Zikmund (2016:53) that the type of research selected should match the individual need or decision for conducting the research.

5.4.1 Scale development procedure

The methodology to develop the multi-item scale for this study, was based on Churchill's (1979:66) suggested procedure for developing better marketing measures as illustrated in Figure 5-5. As Figure 5-5 demonstrates, this procedure includes various phases, such as specifying the domain of the construct, generating a sample of items, collecting data, purifying the data, collecting data again, assessing the reliability and validity (Churchill, 1979:66). Various other scale development procedures exist, including the C-OAR-SE scale development procedure developed by Rossiter (2002:306) as well as the paradigm for scale development by Gerbing and Anderson (1988:191). However, since Churchill's procedure for scale development is widely accepted and respected in marketing, and due to the contribution this procedure has made over the years to developing reliable and valid measurement scales in studies conducted in the field of marketing, such as those by Mimouni-Chaabane and Volle (2010), Seiders *et al.* (2007) and Taljaard (2013), this procedure was chosen **for this study**.

Figure 5-5: Churchill's procedure for developing a multi-item scale



Source: Adapted from Churchill (1979:66) and Taljaard (2013:106).

During the first stage of the Churchill's procedure for scale development, the domain of study should be specified and defined by means of a literature study (Churchill, 1979:67). The following stage involves generating items from literature, measuring the extent of the specified domain by means of an experience survey, as well as developing the questionnaire. When the questionnaire has been finalised, data collection can occur. Based upon the data collected, the multi-item scale is subjected to an exploratory factor analysis (EFA), a confirmatory factor analysis (CFA), and a reliability analysis in order to purify the multi-tem scale and to the assess model fit. Dependent on the outcomes of the statistical analysis, necessary revisions are carried out by repeating stages 1 to 4 of Churchill's procedure, before proceeding to stages 5 to 8.

Once the items in the multi-item scale have been revised, data is collected again. Next, the data obtained from the multi-item scale is subjected to a final CFA along with a reliability analysis to verify the reliability (Churchill, 1979:70). Cronbach alpha coefficient is recommended to assess internal consistency reliability for sets of items (Churchill, 1979:68). In determining whether construct validity is present for the multi-item scale, the researcher determines the degree to which the measure correlates with the intended measure and whether the measure performs as expected (Churchill, 1979:70). Each step of the methodology for this study, as illustrated in Figure 5-3, is discussed below.

5.4.1.1 Step 1: Specify the domain of the study

As mentioned before, the first stage of the Churchill's procedure for scale development involves specifying and defining the domain of the study by means of a literature study (Churchill, 1979:67). This is also confirmed by Vivek *et al.* (2014:404), who state that the domain needs to be defined and refined by previous conceptualisations and theory, as well as qualitative inquiry before a scale can be developed. This study followed the same focus, which allowed the development and expansion of the domain of customer engagement.

During the attempt to specify the domain of customer engagement, diverse methods and tools were utilised to research the concept as presented in Figure 5-3. As the research evolved, the perspectives on services marketing and relationship marketing appeared to support the customer engagement construct. This relationship is also suggested by Vivek *et al.* (2014:404), as these authors found that the service dominant logic and relationship marketing perspective support their data.

- During an in-depth literature study on service marketing and relationship marketing, a selection of scientific journals, articles, books and research documents was consulted to provide the theoretical foundation of the study and to define the construct of customer

engagement. Databases including SACat, Nexus, EBSCOhost, SA ePublications, Emerald, ScienceDirect, ProQuest, Google Scholar and SA Media were consulted.

- Literature was consulted to specify the domain of the study in Chapters 2, 3 and 4. The literature review provided a sound theoretical framework for the domain of the study. As discussed in Chapter 3, the theoretical origins of customer engagement were perceived in the domain of relationship marketing, as the key function of customer engagement revealed the improvement of long-term treasured relationships with customers and value co-creation. Correspondingly, Chapter 4 also indicated the need for further research in the domain of customer engagement as literature is still limited and the construct of customer engagement in relationship marketing has not yet been adequately investigated. The importance of customer engagement was also explored and from the literature, it was clear that businesses cannot afford to lose customers due to a lack of customer engagement. Furthermore, the literature aided in the development of a list of universal elements of customer engagement that allowed us to compile a definition of customer engagement for this study as provided in Chapter 4. Based on the universal elements and definition, it was clear that customer engagement was a multi-item construct.

5.4.1.2 Step 2: Generate sample of items

During this phase, a number of items were identified from literature. These items were then reviewed to ensure that the wording was comprehensible, to eliminate overlapping items and to exclude potential double-barrelled items. After this phase of the item generation process, an experience survey was conducted amongst a sample of 15 experts selected through judgement by the researcher. The experts were asked to review the items to measure the extent of customer engagement within the context of the study. Based upon their responses, items were adapted, removed or added. These experts were all academics specialising in the fields of consumer behaviour, services marketing and relationship marketing.

After the literature review, the researcher aimed to take a grounded theory approach to collect data from academics in the field of consumer behaviour, services marketing and relationship marketing, and a number of sample elements from the target population, in order to capture customer engagement as viewed by academics and customers in the banking industry. Semi-structured interviews were conducted to investigate the nature of customer engagement as viewed by academia in marketing and services and relationship marketing fields as well as customers of banks. A total of 15 semi-structured interviews were conducted (10 male, 5 female). The average interview took 45 minutes, and all participants addressed three broad questions based on their own perceptions. These questions were:

- In your own opinion, what do you think customer engagement is?

- How would you then define customer engagement?
- At which point do you think a customer is engaged with a bank?

Each one of these questions was asked in order to establish a detailed glance into the participant's perception of the customer engagement concept.

The interviews were studied and a number of items were reviewed, changed and/or excluded from the list, as the interviews provided a deep understanding of customer engagement from a customer's perspective and in addition, each item was thoroughly debated and assessed.

Based on the outcomes of the experience survey and the interviews, a total of 53 items were removed from the item list. The remaining 32 items were incorporated into a multi-item Likert-type scale and a self-administered questionnaire was developed. The remaining 32 items retained for the first data collection and purification phase are contained in Table 5-13.

After the self-administered questionnaire had been developed, the questionnaire with the remaining items was tested during the conduction of a pilot study with 30 respondents (14 male, 16 female). Even though the sample was small, the pilot study assisted in refining the questions in the questionnaire further. Table 5-12 clarifies the process that was followed and illustrates the steps, description and results.

Table 5-12: Domain specification and item generation development proses

Steps	Description	Results
1. Specify domain of construct 	Literature study	Obtained current academic and research perspectives on customer engagement.
	Semi-structured interviews	Obtained academic and customer perspectives and understanding of customer engagement.
2. Generate sample of items 	Literature review	Obtained 96 items from current literature.
	Experience survey (15 participants)	Obtained expert views on generated items and customer perceptions on engagement in the banking industry. Resulted in 53 items eliminated.
	Semi-structured interviews (15 participants)	
	Pilot study (30 respondents)	Pre-tested the remaining 32 items.

Table 5-13: Items generated for the first survey

Code	Item	Original source
Emotional activity		
CE1	My bank makes me feel like I belong.	Nammir <i>et al.</i> (2012), Patterson <i>et al.</i> (2006)
CE2	The employees at my bank make me feel welcome.	Nammir <i>et al.</i> (2012), Patterson <i>et al.</i> (2006)
CE3	I am proud to be a customer of my bank.	Nammir <i>et al.</i> (2012), Patterson <i>et al.</i> (2006)
CE5	My bank's employees inspire me.	Nammir <i>et al.</i> (2012), Patterson <i>et al.</i> (2006)
CE6	When dealing with the employees at my bank I feel pleased.	Nammir <i>et al.</i> (2012), Patterson <i>et al.</i> (2006)
CE7	I do not feel ambushed with communication from my bank (emails, text messages, phone calls)	Ashley <i>et al.</i> (2011)
CE8	I care about my bank.	Tripathi (2009)
CE9	I care about my bank's product and service offerings.	Tripathi (2009)
CE10	I have a positive attitude towards my bank.	Tripathi (2009)
CE11	I feel that the employees at my bank treat me fairly.	Tripathi (2009)
CE12	It feels good to be a customer of my bank.	Tripathi (2009)
CE13	I cannot imagine a world without my bank.	Nammir <i>et al.</i> (2012), Patterson <i>et al.</i> (2006)
Cognitive activity		
CE14	I am usually deeply captivated by my bank's capabilities.	Abdul-Ghani <i>et al.</i> (2011)
CE15	Time passes quickly while I interact with my bank.	Abdul-Ghani <i>et al.</i> (2011)
CE16	I am dependent on my bank's online interaction.	Nammir <i>et al.</i> (2012), Patterson <i>et al.</i> (2006)
CE17	I mostly have positive service interactions with my bank.	Tripathi (2009)
CE18	My bank keeps its promises.	Tripathi (2009)
CE19	My bank is reliable.	Tripathi (2009)
CE20	My bank has integrity.	Tripathi (2009)
CE22	My bank is perfect for people like me.	Tripathi (2009)
Behavioural activity		
CE23	I feel energised when interacting with my bank.	Nammir <i>et al.</i> (2012), Patterson <i>et al.</i> (2006)
CE24	I am completely involved when interacting with my bank.	Nammir <i>et al.</i> (2012), Patterson <i>et al.</i> (2006)
CE25	I am willing to put effort into interacting with my bank.	Nammir <i>et al.</i> (2012), Patterson <i>et al.</i> (2006)
CE27	I share my ideas on improving my bank's products and/or services.	Bijmolt <i>et al.</i> (2010)
CE28	I complain to other people when I am unsatisfied with my bank.	Javornic and Mandelli (2012)

Table 5-13: Items generated for the first survey (cont.)

Code	Item	Original source
Behavioural activity (cont.)		
CE29	I am willing to complain to my bank when I am unsatisfied.	Javornic and Mandelli (2012)
CE30	I am willing to try other products or services of my bank.	Javornic and Mandelli (2012), Kumar <i>et al.</i> (2010)
CE31	I have confidence in my bank's products and services.	Tripathi (2009)
CE32	I have confidence in my bank's employees.	Tripathi (2009)

5.4.1.3 Step 3: Collect data

After the initial set of items had been established, the first phase of data collection commenced. The sampling for the first data collection phase as well as the questionnaire design used during this phase of data collection is discussed below.

Questionnaires were distributed during September 2015 by three fieldworkers in the Johannesburg metropolitan area, to adult respondents (20 – 70 years old), who had been making use of the retail banking services of one of the specified retail banks (Absa, Capitec Bank, FNB, Nedbank and Standard Bank) for two or more years. A total of 231 usable questionnaires were collected for statistical analysis.

5.4.1.4 Step 4: Purify the scale

Once the data had been captured by the researcher, it was cleaned, to avoid any data analysis errors. The data required purification in order to extract responses which failed to meet the criteria of the screening question. During this step, the scale was purified by means of a reliability analysis and an EFA, using the Statistical Package for the Social Sciences (SPSS) version 23. During the reliability analysis, items with low correlation scores were removed and the remaining items were included in the next data collection questionnaire. In addition, EFA was performed to measure the validity of the measure. This step is explained in more detail in Chapter 6 (see section 6.4).

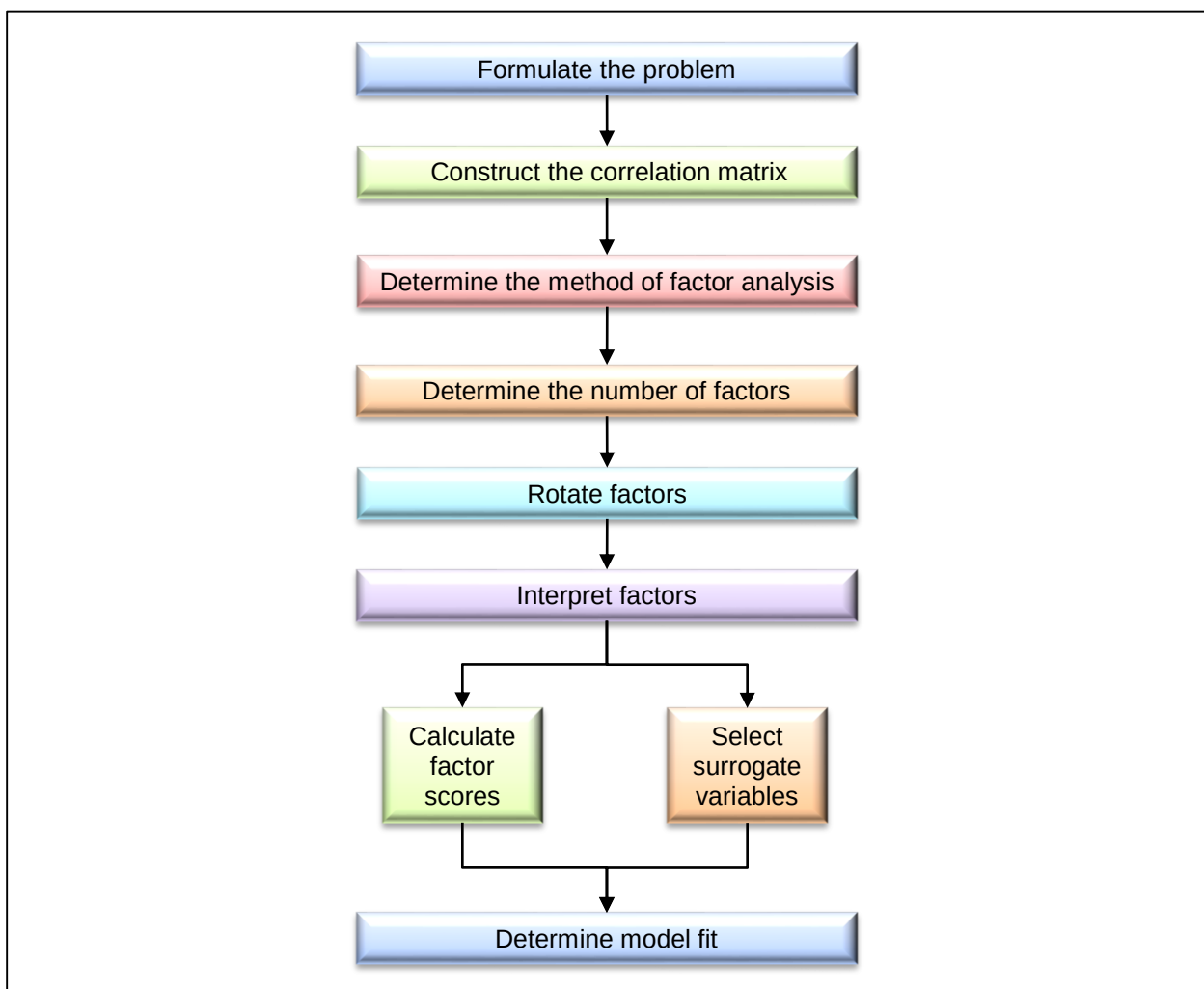
5.4.1.4.1 Exploratory factor analysis (EFA)

An EFA aims to determine whether variables are correlated with each other and could comprise of a minimum of two items, but preferably more, which reflects the underlying structure of the data (Struwig & Stead, 2013:149). A factor analysis is generally defined as a course of procedures that are largely used for data reduction and summarisation of variables to a manageable level (Malhotra *et al.*, 2012:774). This is supported by Hair *et al.* (2014:92) who state that factor analysis

is an interdependent method, which aims to define the core structure between the variables. According to Kent (2007:421), an EFA is a method of factor analysis in which a large set of variables is replaced by a smaller number of factors. Consequently, a factor analysis is used for the purpose of identifying underlying dimensions of factors that explain correlations between variables, recognising a new smaller set of uncorrelated variables and/or identifying a smaller set of salient variables for use in multivariate analysis (Hair *et al.*, 2014:92; Malhotra *et al.*, 2012:775). In the study, an EFA was specifically conducted to determine whether various dimensions could be distinguished in customer engagement construct, as theorised in literature.

Various steps are involved in conducting a factor analysis. These steps are demonstrated in Figure 5-6 and briefly discussed in the subsequent sections.

Figure 5-6: Conducting factor analysis



Source: Adopted from Malhotra *et al.* (2012:777).

(i) Formulate the problem

The first step of conducting a factor analysis, as illustrated in Figure 5-6, is defining the factor analysis problem and identifying the possible variables to be analysed (Malhotra *et al.*, 2012:777). The general purpose of conducting a factor analysis is generally to find a way to summarise the information into a smaller set of combined factors (Hair *et al.*, 2014:94). According to Malhotra *et al.* (2012:778), the objectives should firstly be identified and variables specified based on past research (quantitative or qualitative); thereafter, the variables should be suitably measured on an interval or ratio scale and the researcher should pay special attention to ensure that a suitable sample size is used (generally five times more than the variables).

(ii) Construct the correlation matrix

In order for a factor analysis to be successful, the variables should be correlated and the examination of the correlation matrix could provide valuable insights (Malhotra *et al.*, 2012:778). The factor loadings indicate the degree of association concerning the variable and the factor (Hair *et al.*, 2014:110). However, if the correlation between variables is small, a factor analysis may not be appropriate (Malhotra *et al.*, 2012:778). Various statistics may be used to calculate the appropriateness of the factor model, including **Bartlett's test of sphericity** and the **Kaiser-Meyer-Olkin (KMO)** measure (Malhotra *et al.*, 2012:778). The Bartlett's test of sphericity is useful for testing the null hypothesis that the variables are uncorrelated in the population, and is based on a chi-square transformation of the determinant of the correlation matrix (Hair *et al.*, 2014:102; Malhotra *et al.*, 2012:778). The Bartlett's test for sphericity should be significant (smaller than .05) in order for the factor analysis to be considered appropriate (Pallant, 2013:190). According to Malhotra *et al.* (2012:778), a large value of the test will favour the rejection of the null hypothesis and if this is not the case, the appropriateness of conducting a factor analysis should be questioned. The KMO measure of sampling adequacy is used to compare the number of perceived correlation coefficients with the number of partial correlation coefficients (Malhotra *et al.*, 2012:778). When conducting a KMO, a value of greater than 0.5 is desirable, and a smaller value indicates that the correlation cannot be explained by other variables and that a factor analysis is not applicable (Malhotra *et al.*, 2012:778). This is also established by Pallant (2013:190) who states that a KMO index usually ranges between 0 and 1, but that 0.6 is suggested to be the smallest possible that may indicate a good factor analysis.

(iii) Determine the method of factor analysis

Once that the researcher had determined that a factor analysis is appropriate, the method should be selected. Two basic approaches are principal components analysis (PFA) and common factor analysis (CFA) (Hair *et al.*, 2014:105). The PCA is appropriate when the main aim of the research is to determine the smallest possible number of factors that will explain maximum variance in the data for use in multivariate analysis (Kent, 2007:420; Malhotra *et al.*, 2012:782). According to Hair *et al.* (2014:105) and Pallant (2013:189), this approach is only appropriate when the data reduction is the primary objective and prior knowledge suggests that a small proportion of the total variance is represented in specific and error variance. A CFA, on the other hand, considers only the common or shared variance when the assumption is made that both the unique and error variance is not of interest in defining the structure of the variables (Hair *et al.*, 2014:105). This approach is appropriate when the main aim is to identify the underlying dimensions or common variance of interest. During this technique, factors are predicted based only on the common variance, and communalities are inserted in the diagonal of the correlation matrix (Malhotra *et al.*, 2012:782). This is further supported by Hair *et al.* (2014:106) who specify that this approach is most appropriate when the primary objective is to identify the hidden dimensions or constructs and when little is known about the amount of specific and error variance. As a result, a CFA was performed during this particular study.

(iv) Determine the number of factors

In order to condense the variables included in the study successfully, a smaller number of factors should be extracted, and in order to determine the number of factors the researcher could examine the priori determination, eigenvalues, percentage of variance, split-half reliability and significance tests (Malhotra *et al.*, 2012:782).

- **A priori determination** may be used when the researcher can already specify the number of factors to be extracted beforehand, based on prior knowledge (Malhotra *et al.*, 2012:782). According to Hair *et al.* (2014:107), this is a simple yet reasonable criterion, especially when the researcher is testing a theory or hypothesis.
- **Determination based on eigenvalues** may also be used to calculate the number of factors, as factors with eigenvalues with a variance greater than 1.0 are retained (Hair *et al.*, 2014:107; Malhotra *et al.*, 2012:782). The eigenvalue of a factor represents the amount of total variance explained by the factor (Pallant, 2013:191).
- According to Malhotra *et al.* (2012:782), the **percentage of variance** could also be determined to extract a number of factors so that the cumulative percentage of variance

by the factors is satisfactory (at least 60% of the variance). The purpose of conducting a percentage of variance is to ensure that the practical significance for the derived factors explains a specific amount of variance (Hair *et al.*, 2014:107).

- Determination based on **split-half reliability** is used when the total sample is split in half and a factor analysis is conducted on each half of the sample and only factors that correspond highly across the two subsamples are retained (Malhotra *et al.*, 2012:783).
- **Determination based on significance tests** is used to retain those factors that are statistically significant of separate eigenvalues; however this is only practical if the size of the sample is greater than 200 (Malhotra *et al.*, 2012:783).

In general, researchers initially use a variety of measures to determine how many factors should be extracted, and Hair *et al.* (2014:109) recommend that the researcher compare and contrast several different factor structures to discover the best possible representation of the data.

(v) Rotate factors

The factor matrix is an important output from any factor analysis. It is also called the factor pattern matrix, which contains the coefficients used to express variables in terms of the factors (Malhotra *et al.*, 2012:784). The rotation is employed to achieve simpler and theoretically more significant factor solutions (Hair *et al.*, 2014:110). A coefficient with a large absolute value shows that the factor and the variable are closely related, and the coefficients can be used to interpret the factors (Malhotra *et al.*, 2012:784). When rotating the factors, the researcher aims to have a non-zero or significant loading or coefficients for only some or one of the variables, as factors that have high loadings with similar variables can complicate the interpretation. Various rotations are used during this phase of a factor analysis, including an orthogonal rotation, varimax procedure and the oblique rotation (Hair *et al.*, 2014:111; Kent, 2007:420). During the factor analysis, this study used the **oblique rotation** by means of a **Promax** technique, as the axes were not maintained at the right angles and the factors were strongly correlated with each other.

(vi) Interpret factors

During the interpretation of the factors, the variables that have large loadings on the same factor are identified (Malhotra *et al.*, 2012:785). A useful aid during the interpretation of the factors is to plot the variables using the factor loadings as coordinates. This provides useful insights into the loadings of the factors and indicates which variables describes each factor (Malhotra *et al.*, 2012:785). In determining a significance level for the interpretation of

loadings, a similar approach to determining the statistical significance of correlation coefficients could be used (Hair *et al.*, 2014:115). The factor loadings should be assessed at substantial stringent levels with attaining a power level of 80%, the use of a 0.05 significance level and the suggested inflation of the standard errors of factor loadings. The following table contains the sample sizes necessary for each factor loading value to be considered significant (Hair *et al.*, 2014:115).

Table 5-14: Guidelines for identifying significant factor loadings based on sample size

Factor loading	Sample size needed for significance ^a
0.30	350
0.35	250
0.40	200
0.45	150
0.50	120
0.55	100
0.60	85
0.65	70
0.70	60
0.75	50
^a Significance is based on a 0.05 significance level (α), a power level of 80%, and standard errors assumed to be twice those of conventional correlation coefficients.	

Source: Computations made with SOLO Power Analysis, BMDP Statistical Software, Inc., 1993

(vii) Calculate factor scores

The next step in conducting a factor analysis is calculating the factor scores for each participant on the derived factors (Malhotra *et al.*, 2012:786). The factor scores are basically composite measures of each factor computed for each subject and represent the degree to which each individual scores high on the group of items with high loadings on a factor (Hair *et al.*, 2014:125).

(viii) Select surrogate variables

The researcher may also wish to select substitute or surrogate variables for use in subsequent analysis, which allows the researcher to interpret the results in terms of original variables rather than factor scores (Malhotra *et al.*, 2012:786). However, this approach is simple and direct only when one variable has a factor loading that is substantially higher than all other factor loadings, and the decision to use this approach should be based mainly on the researcher's prior knowledge of theory (Hair *et al.*, 2014:121).

(ix) Determine model fit

The final phase of conducting a factor analysis involves the determination of the model fit where the differences between the observed correlations and the reproduced correlations are examined (Malhotra *et al.*, 2012:786). These differences are called residuals (Malhotra *et al.*, 2012:787). When the residuals are many and large, the factor model does not provide a good fit to the data and the model should be reconsidered. A residual size of 0.05 or smaller indicates an acceptable model fit (Malhotra *et al.*, 2012:787). According to Hair *et al.* (2014:120), the validation of the factor analysis can be done by a CFA to assess the replicability of the results.

5.4.1.4.2 Confirmatory factor analysis (CFA)

The CFA is conducted with the main goal of providing a confirmatory test of the measurement theory model (Hair *et al.*, 2014:603). This analysis seeks to confirm whether the number of factors and the loadings observed conform to what is expected on the basis of theory (Malhotra *et al.*, 2012:866).

5.4.1.5 Step 5: Collect data

The second purification phase commenced as soon as data from the first purification phase had been analysed and the necessary changes had been made to the items and questionnaire. The second purification phase sampling, questionnaire design, data collection, data purification, statistical methods and the final reliability and validity assessment are presented in the following sections.

5.4.1.5.1 Sampling

During the second data collection phase of the multi-item scale, the questionnaire comprised 15 items and therefore a sample size of 75 respondents was recommended. In contrast to the first data collection phase, the researcher aimed to attain 168 questionnaires to safeguard sufficient usable questionnaires. The population under consideration for the second data collection phase continued to be adults, 20 to 70 years old, living in the Johannesburg metropolitan area who had been making use of the retail banking services of one of the main retail banks, which dominated the South African market, for two years or more.

Additionally, the same three trained fieldworkers who were responsible for the first data collection phase were employed to identify the relevant respondents who qualified to participate in the second data collection phase. Each fieldworker was once more assigned to specific quotas based

on gender, age and race. During the second data collection phase, non-probability sampling was implemented. Table 5-15 illustrates the sampling quotas for the second purification phase.

Table 5-15: Sampling quotas for the second data collection phase

Race	Gender	Generation X (20 – 37 years)	Generation Y (38 – 49 years)	Baby boomers (50 – 70 years)	Total
Black	Female	7	7	7	21
	Male	7	7	7	21
Coloured	Female	7	7	7	21
	Male	7	7	7	21
Indian	Female	7	7	7	21
	Male	7	7	7	21
White	Female	7	7	7	21
	Male	7	7	7	21
Total		56	56	56	168

5.4.1.5.2 Questionnaire design

Similar to the first data collection phase, self-administered questionnaires were used to collect data for the second purification phase. The section on retail bank patronage habits and demographic information remained unchanged. However, based on the investigation of the reliability and validity of the initial data set, a number of changes were made to the items in the section on customer engagement. As explained in section 5.3.4.3.1 respondents were asked to indicate their agreement with each statement of customer engagement. The remaining items included for this data collection phase are summarised in Table 5-14.

Questionnaires were distributed from March to May 2016 by the fieldworkers in the Johannesburg metropolitan area to respondents who could be included based on the screening question and quotas (gender, age and race). A total of 152 usable questionnaires were collected for statistical analysis. This was mainly due to the challenge of attaining questionnaires from the 'baby boomer' group, as explained in section 5.3.4.1.2.

5.4.1.6 Step 6: Assess reliability

After the data had been captured by the researcher, it was cleaned with the purpose of avoiding data analysis errors as well as to reject responses which did not meet the conditions of the screening question. During the final reliability and validity assessment, the aim was to confirm that the final version of the multi-item scale to measure customer engagement was reliable. Cronbach alpha values were calculated in order to examine reliability in terms of the measurement

scales, while exploratory factor analysis was used to test the validity. Cronbach alpha was calculated as it is one of the most used tests of scale reliability (Taljaard, 2013:123).

5.4.1.7 Step 7: Assess validity

In order to measure the validity for this study, face, construct, criterion and nomological validity were determined. This was discussed in detail in section 5.3.5.3.

5.5 CONCLUSION

The main purpose of this chapter was to describe the research process and methodology that was followed during this study. The research methodology of this study was based on Churchill's (1979:66) scale development procedure, as this procedure is widely accepted and respected in marketing.

An exploratory research design was used for the study in the form of a literature review, as well as an experience survey, which comprised semi-structured interviews with academics in the field of consumer behaviour, services marketing and relationship marketing and a number of customers of the selected banks in order to capture customer engagement as viewed by academics and customers in the banking industry. The exploratory research was necessary to discuss possible definitions, identify the domain of the study, and assess a sample of items. Based on the outcomes of the experience survey and interviews, a total of 53 items were removed from the item list. The remaining 32 items were incorporated into a multi-item Likert-type scale, and a self-administered questionnaire was developed and tested by means of a pilot study.

Consequently, the first data collection and purification phases commenced and a total of 231 questionnaires were collected by means of convenience and quota sampling. Statistical methods for the first data collection phase included reliability and validity (EFA) analysis. The second purification phase commenced as soon as data from the first purification phase had been analysed and the necessary changes had been made to the items and questionnaire. During the second data collection phase, 152 questionnaires were collected. Statistical methods for the second data collection phase also included reliability and validity (CFA) analysis. The statistical results of the study are discussed in the next chapter.

CHAPTER 6

EMPIRICAL RESULTS

6.1 INTRODUCTION

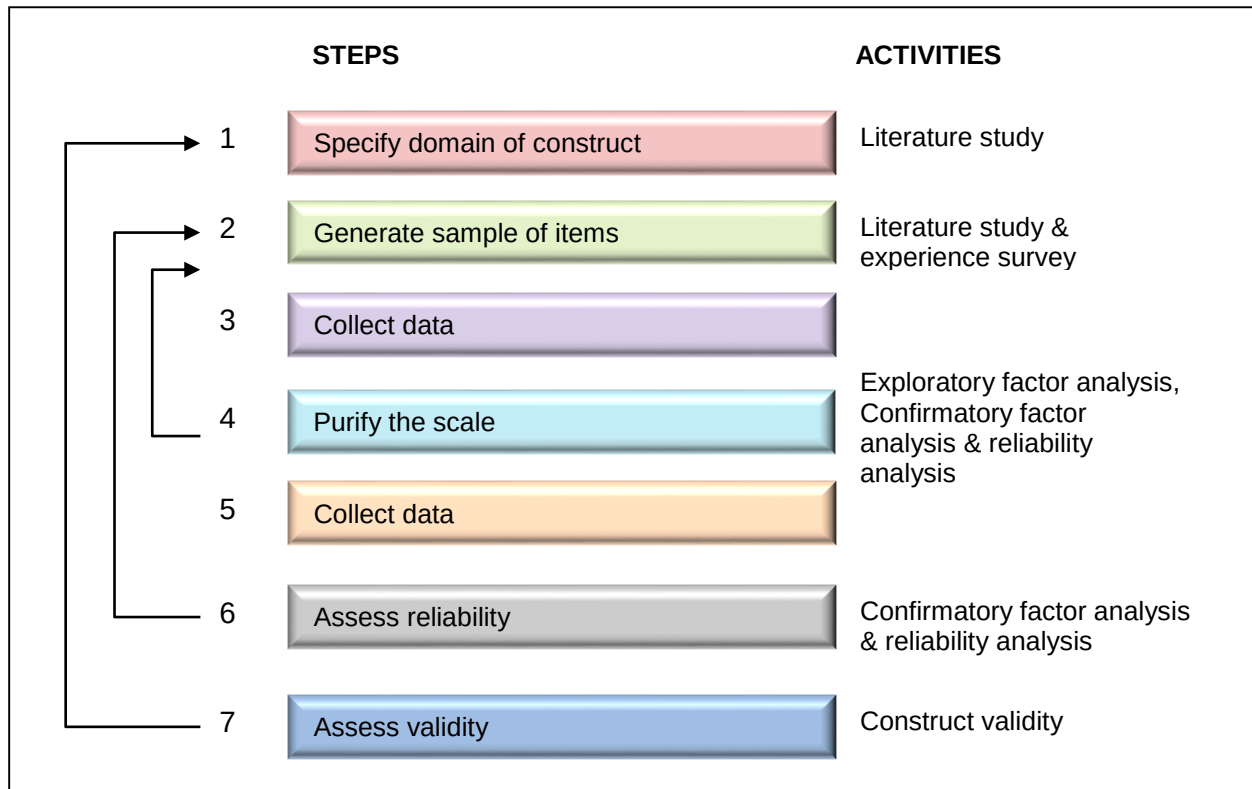
The main purpose of this chapter is to discuss the statistical results of the study as well as to present the findings of the research with regard to the development of a scale to measure customer engagement in the South African retail banking industry. The first two phases of scale development dealt with the specification of the domain of customer engagement and the item generation process. These first two phases were addressed in Chapter 5, and will therefore only be briefly reviewed, followed by an in-depth discussion of the two empirical phases (Steps 3 to 7 of the scale development process).

Consequently, this chapter provides a brief review of the scale development process, followed by a discussion of the two data collection phases (Steps 3 to 7 of the scale development process).

6.2 REVIEW OF THE SCALE DEVELOPMENT PROCESS

As discussed in Chapter 5 (section 5.4.1), the method to develop a multi-item scale for customer engagement was based on Churchill's (1979) procedure for developing better marketing measures (illustrated again in Figure 6-1), as this procedure is accepted and respected in marketing research. As Churchill's procedure demonstrates, various phases are included, namely (1) specifying the domain of the construct, (2) generating a sample of items, (3) collecting data, (4) purifying the data, (5) collecting data again, (6) assessing the reliability, and (7) assessing the validity.

Steps 1 and 2 of Churchill's procedure were discussed in Chapter 5. The detailed literature review (i.e. Chapters 2, 3, and 4) provided a comprehensive theoretical framework for the domain of the study. From this literature review, a number of items were identified for Step 2 of the procedure of scale development, were then further reviewed to ensure comprehensible wording and exclusion of double-barrelled items as well as overlapping items. In addition, an experience survey was completed and items were further adapted, removed and/or adjusted.

Figure 6-1: Churchill's procedure for developing a multi-item scale

Source: Adapted from Churchill (1979:66) and Taljaard (2013:106).

Based on the outcomes of the experience survey and interviews, a total of 64 items were removed from the item list. The remaining 32 items were incorporated into a multi-item Likert-type scale, and a self-administered questionnaire was developed. These remaining 32 items were additionally refined and tested by means of a pilot study with 30 respondents (14 male, 16 female). The remaining 32 items were then used for the first data collection and purification phase of the study (Steps 3 and 4 of the scale development process). This was discussed elaborately in Chapter 5. Based on the initial set of items (identified in Steps 1 and 2), the first data collection took place (Step 3), of which the results are subsequently discussed.

6.3 STEP 3: FIRST DATA COLLECTION PHASE

As explained in Chapter 5, the first data collection phase served to provide estimates for the preliminary reliability of the scale, in addition to improving the scale by identifying the underlying factor structure of the customer engagement scale, as well as to purify the multi-item scale and assess the model fit.

The first set of items for the proposed customer engagement scale included 32 items, which meant that a minimum of 160 respondents had to be included in this sample of the first data collection phase (as explained in section 5.3.4.1.4). In order to ensure accurate data collection,

and to ensure that sufficient and useable questionnaires were collected, a total of 240 questionnaires were distributed. After the data from the collected questionnaires had been screened and cleaned, a total of 231 completed questionnaires were utilised for data assessment. The targeted sample (as indicated in the sampling plan, section 5.3.4.1) consisted of:

- Adults, 20 to 70 years old (i.e. Generation X, Y and baby boomers),
- living in the Johannesburg metropolitan area,
- who had been making use of the retail banking services of one of the main retail banks that dominated the SA market at the time of this research (Absa, Capitec Bank, FNB, Nedbank and Standard Bank),
- for two years or more.

Furthermore, quota sampling was also implemented to ensure the representativeness of the study population based on gender, race and age (as specified in section 5.3.4.1). During the presentation of the descriptive results of the study, the missing values (which were minimal) were also indicated. The following sections summarise the results of the profile and patronage habits of the sample.

6.3.1 Sample profile (first data collection phase)

All 231 respondents who participated in the first data collection phase of this study were 20 to 58 years old (Generation X, Y and baby boomers), and had been making use of the retail banking services of one of the main retail banks for two years or longer. Subsequently, demographic information of the respondents who participated in this study is presented, namely race, age, gender, home language, employment status, and highest level of education. Table 6-1 provides a summary of the sample profile of respondents as well as the frequencies (F) and percentages (%).

Table 6-1: Sample profile (first data collection phase)

Variables		Total	
		F	%
Race	Black	55	23.8
	Coloured	57	24.7
	Indian	59	25.5
	White	60	26.0
Age	Generation X (20 – 37 years)	74	32.0
	Generation Y (38 – 49 years)	71	30.7
	Baby boomers (50 – 70 years)	85	36.8
	Missing value(s)	1	0.40

Table 6-1: Sample profile (first data collection phase) (cont.)

Variables		Total	
		F	%
Gender	Male	115	49.6
	Female	116	50.4
Home language	Afrikaans	79	34.3
	English	97	42.2
	isiNdebele	1	0.4
	isiTsonga	3	1.3
	isiXhosa	6	2.6
	isiZulu	17	7.4
	Sepedi	4	1.7
	Sesotho	9	3.9
	Setswana	7	3.0
	Tshivenda	6	2.6
	Other	2	0.4
Employment status	Student	2	0.9
	Unemployed	2	0.9
	Self-employed	14	6.1
	Part-time employed	189	7.8
	Full-time employed	173	74.9
	Housewife or Househusband	7	3.0
	Retired	12	5.2
	Missing value(s)	3	1.3
Highest level of education	Some high school	5	2.2
	Matric / Grade 12 completed	100	43.3
	Diploma	67	29.0
	University degree	43	18.6
	Post-graduate degree	14	6.1
	Missing value(s)	2	0.9

It is evident from Table 6-1 that, as a result of the quota sampling technique implemented, the sample was fairly balanced in terms of race, age and gender. Furthermore, most respondents indicated that they spoke English as their home language (42.2%), followed by Afrikaans (34.3%). The majority of respondents also indicated that they were employed full-time (74.9%). The largest section of respondents indicated that they had completed matric/Grade 12 as their highest level

of education (43.3%), followed by 29.0% of respondents who indicated that they had completed a diploma, and 18.6% who indicated that they had completed a university degree.

Main finding 1

Respondents were relatively equally presented in terms of race, age and gender; most respondents were English-speaking; the majority of respondents were employed full-time; and the majority of respondents had completed matric as their highest level of education.

6.3.2 Patronage habits (first data collection phase)

The next section of the questionnaire measured respondents' banking habits. In this section, the aim was to obtain information on respondents' retail bank patronage habits, including to determine respondents' main retail bank, the type of personal account(s) held at this bank, the duration for which they had been customers at this bank, and the frequency of visiting their bank's branch and website or social media sites. Table 6-2 provides the frequencies (F) and percentages (%) of the patronage habits of the first data collection phase.

Table 6-2: Patronage habits (first data collection phase)

Patronage habit	Total	
	F	%
Retail bank		
Absa	67	29.1
Capitec Bank	24	10.4
FNB	59	25.7
Nedbank	37	16.1
Standard Bank	44	18.7
Type of personal account(s)		
Savings account	112	48.9
Cheque account	157	68.6
Credit account	95	41.5
Other	11	4.8
Duration of being a customer of the retail bank		
2–3 years	67	29.0
4–5 years	30	13.0
6–7 years	30	13.0
8–9 years	41	17.7
10 years or longer	63	27.3

Table 6-2: Patronage habits (first data collection phase) (cont.)

Patronage habit	Total	
	F	%
Regularity of visiting the retail bank's branch		
Weekly	9	3.9
Monthly	66	28.6
Every two to three months	53	22.9
Twice a year	46	19.9
Once a year	32	13.9
Less than once a year	25	10.8
Regularity of visiting the retail bank's online environment		
Daily	32	13.5
Weekly	71	31.0
Monthly	55	24.0
Every two to three months	21	9.2
Twice a year	4	1.7
Once a year	8	3.5
Less than once a year	8	3.5
Not at all	32	13.5

It is evident from Table 6-2 that the majority of respondents held their personal account or most of their personal accounts at Absa (29.1%). This is closely followed by 25.7% of respondents who held their personal account(s) at FNB. Based on the responses of the remainder of the respondents, Standard Bank was third (18.7%), followed by Nedbank (16.1%) and lastly, Capitec Bank (10.4%).

Table 6-2 also illustrates that the majority of respondents had a cheque account (68.6%). However, as respondents were asked to indicate all of their personal accounts, a further 48.9% of the respondents also indicated that they held a savings account at their specified retail bank, as well as 41.5% who had credit accounts. Lastly, 4.8% of respondents indicated that they also had other accounts (such as personal, home or car loans) at their specified retail bank.

Furthermore, the majority of respondents had been customers of their retail bank for two to three years (29.0%). This is followed by 27.3% of respondents who indicated that they had been a customer of their retail bank for 10 years or longer. This is followed by 17.7% who had been a customer of their retail bank for eight to nine years, 13.0% who had been a customer of their retail bank for six to seven years, and 13.0% who had been a customer of their retail bank for four to five years.

It is also apparent that the majority of respondents visited their retail bank's branch on a monthly basis (28.6%). This is followed by 22.9% of respondents who indicated that they visited the branch of their retail bank every two to three months, and 19.9% of respondents who indicated that they only visited their retail bank's branch twice a year.

From Table 6-2 it can be concluded that the majority of respondents visited their retail bank's online environment on a weekly basis (31.0%). This is followed by respondents who indicated that they visited their retail bank's online environment on a monthly basis (24.0%). Some respondents indicated that they did not visit their retail banks online sites at all (13.5%), while others indicated that they visited these sites on a daily basis (13.5%).

Main finding 2

The majority of respondents (from the first data collection phase) held their personal account(s) – which were mainly cheque accounts – at Absa; the majority of respondents had been customers of their bank for either two to three years or for longer than nine years; the majority of respondents visited the branch of their retail bank on a monthly basis while the majority of respondents visited their bank's online environment on a weekly basis.

6.4 STEP 4: PURIFICATION OF THE SCALE

Step 4, as discussed in Chapter 5 (section 5.4.1.4), entails the purification of the scale, which pertains to the determination of the internal consistency of the set of items (Churchill, 1979:68). During this step, the scale was purified by means of a reliability analysis and an EFA, using SPSS version 23.

6.4.1 Reliability

According to Churchill's (1979:70) procedure for scale development, the recommended method to measure the internal consistency of a set of items is to calculate the coefficient alphas. Subsequently, Cronbach alpha coefficient was used to ensure that the items measuring customer engagement were reliable and the scale had an acceptable Cronbach alpha value of 0.70 or higher. Cronbach alpha value (calculated on the 32 items of the first data collection phase) was 0.97, thus indicating that the 32-item measure correlated well with the scores. To assist with the further purification of the customer engagement scale, low inter-item correlations were removed, as these items were not drawn from the appropriate domain, and did not fit the scale to measure customer engagement. Table 6-3 provides the inter-item correlations and indicates the items that were removed (indicated in red) as well as the items that were retained from the first data collection phase.

Table 6-3: Inter-item correlations

	CE1	CE2	CE3	CE4	CE5	CE6	CE7	CE8	CE9	CE10	CE11	CE12	CE13	CE14	CE15	CE16	CE17	CE18	CE19	CE20	CE21	CE22	CE23	CE24	CE25	CE26	CE27	CE28	CE29	CE30	CE31	CE32
CE1	1.00	0.62	0.80	0.07	0.67	0.44	0.35	0.77	0.72	0.76	0.60	0.77	0.57	0.58	0.72	0.20	0.75	0.66	0.61	0.66	0.57	0.74	0.70	0.63	0.60	0.07	0.44	0.07	0.37	0.40	0.46	0.56
CE2	0.62	1.00	0.73	0.35	0.62	0.59	0.37	0.57	0.69	0.57	0.75	0.64	0.41	0.51	0.60	0.20	0.67	0.59	0.59	0.59	0.59	0.61	0.62	0.65	0.61	0.51	0.28	0.05	0.43	0.48	0.58	0.41
CE3	0.80	0.73	1.00	0.14	0.69	0.63	0.33	0.76	0.72	0.77	0.68	0.60	0.58	0.65	0.67	0.23	0.72	0.70	0.68	0.66	0.66	0.75	0.74	0.72	0.68	0.26	0.43	0.04	0.36	0.48	0.51	0.56
CE4	0.07	0.35	0.14	1.00	0.27	0.47	0.41	0.61	0.40	0.56	0.39	0.44	0.58	0.47	0.17	0.31	0.59	0.20	0.65	0.40	0.36	0.57	0.37	0.07	0.22	0.35	0.50	0.05	0.39	0.44	0.27	0.63
CE5	0.67	0.62	0.69	0.27	1.00	0.58	0.24	0.73	0.68	0.66	0.63	0.68	0.60	0.59	0.65	0.24	0.66	0.63	0.61	0.61	0.61	0.66	0.72	0.61	0.64	0.16	0.51	0.06	0.29	0.38	0.57	0.64
CE6	0.44	0.59	0.63	0.47	0.58	1.00	0.38	0.59	0.55	0.59	0.61	0.63	0.44	0.61	0.53	0.19	0.59	0.57	0.52	0.56	0.60	0.62	0.59	0.56	0.54	0.55	0.30	0.09	0.30	0.39	0.62	0.60
CE7	0.35	0.37	0.33	0.41	0.24	0.38	1.00	0.37	0.39	0.45	0.45	0.41	0.24	0.35	0.33	0.32	0.47	0.43	0.43	0.48	0.44	0.45	0.37	0.48	0.40	0.35	0.25	0.14	0.36	0.42	0.42	0.32
CE8	0.77	0.57	0.76	0.61	0.73	0.59	0.37	1.00	0.81	0.61	0.62	0.60	0.68	0.65	0.63	0.21	0.70	0.69	0.65	0.71	0.65	0.79	0.74	0.64	0.65	0.57	0.52	0.04	0.37	0.42	0.20	0.58
CE9	0.72	0.69	0.72	0.40	0.68	0.55	0.39	0.81	1.00	0.71	0.61	0.54	0.60	0.69	0.67	0.22	0.65	0.76	0.72	0.79	0.59	0.47	0.79	0.65	0.70	0.39	0.45	0.13	0.44	0.47	0.37	0.56
CE10	0.76	0.57	0.77	0.56	0.66	0.59	0.45	0.61	0.71	1.00	0.69	0.54	0.57	0.62	0.78	0.21	0.60	0.72	0.67	0.54	0.41	0.71	0.53	0.58	0.65	0.46	0.47	0.05	0.44	0.46	0.56	0.63
CE11	0.60	0.75	0.68	0.39	0.63	0.61	0.45	0.62	0.61	0.69	1.00	0.77	0.53	0.66	0.74	0.25	0.62	0.69	0.67	0.69	0.61	0.66	0.62	0.63	0.60	0.58	0.33	0.03	0.44	0.44	0.40	0.72
CE12	0.77	0.64	0.60	0.44	0.68	0.63	0.41	0.60	0.54	0.54	0.77	1.00	0.34	0.57	0.89	0.24	0.59	0.48	0.54	0.36	0.68	0.53	0.65	0.60	0.66	0.41	0.45	0.06	0.42	0.45	0.31	0.51
CE13	0.57	0.41	0.58	0.58	0.60	0.44	0.24	0.68	0.60	0.57	0.53	0.34	1.00	0.80	0.72	0.20	0.71	0.60	0.50	0.51	0.46	0.56	0.66	0.51	0.54	0.57	0.39	0.04	0.24	0.30	0.57	0.55
CE14	0.58	0.51	0.65	0.47	0.59	0.61	0.35	0.65	0.69	0.62	0.66	0.57	0.80	1.00	0.64	0.22	0.62	0.67	0.52	0.52	0.47	0.61	0.67	0.60	0.60	0.56	0.39	0.05	0.36	0.47	0.32	0.61
CE15	0.72	0.60	0.67	0.17	0.65	0.53	0.33	0.63	0.67	0.78	0.74	0.89	0.72	0.64	1.00	0.28	0.73	0.69	0.62	0.78	0.76	0.64	0.72	0.71	0.62	0.65	0.66	0.02	0.40	0.37	0.56	0.65
CE16	0.20	0.20	0.23	0.31	0.24	0.19	0.32	0.21	0.22	0.21	0.25	0.24	0.20	0.22	0.28	1.00	0.50	0.33	0.34	0.33	0.33	0.31	0.25	0.29	0.31	0.18	0.26	0.11	0.28	0.28	0.21	0.22
CE17	0.75	0.67	0.72	0.59	0.66	0.59	0.47	0.70	0.65	0.60	0.62	0.59	0.71	0.62	0.73	0.50	1.00	0.75	0.75	0.73	0.69	0.69	0.61	0.65	0.58	0.57	0.40	0.06	0.39	0.42	0.38	0.41
CE18	0.66	0.59	0.70	0.20	0.63	0.57	0.43	0.69	0.76	0.72	0.69	0.48	0.60	0.67	0.69	0.33	0.75	1.00	0.88	0.81	0.69	0.79	0.71	0.72	0.63	0.56	0.42	-0.01	0.38	0.44	0.49	0.40
CE19	0.61	0.59	0.68	0.65	0.61	0.52	0.43	0.65	0.72	0.67	0.67	0.54	0.50	0.52	0.62	0.34	0.75	0.88	1.00	0.86	0.71	0.77	0.68	0.68	0.60	0.47	0.36	0.01	0.38	0.46	0.36	0.57
CE20	0.66	0.59	0.66	0.40	0.61	0.56	0.48	0.71	0.79	0.54	0.69	0.36	0.51	0.52	0.78	0.33	0.73	0.81	0.86	1.00	0.79	0.80	0.67	0.68	0.64	0.37	0.40	0.11	0.49	0.51	0.46	0.40
CE21	0.57	0.50	0.60	0.36	0.57	0.60	0.44	0.65	0.59	0.41	0.61	0.68	0.46	0.47	0.76	0.33	0.69	0.69	0.71	0.79	1.00	0.77	0.66	0.66	0.65	0.59	0.48	0.14	0.42	0.47	0.68	0.57
CE22	0.74	0.61	0.75	0.57	0.66	0.62	0.45	0.79	0.47	0.71	0.66	0.53	0.56	0.61	0.64	0.31	0.69	0.79	0.77	0.80	0.77	1.00	0.81	0.74	0.68	0.43	0.48	0.05	0.38	0.45	0.60	0.68
CE23	0.70	0.62	0.74	0.37	0.72	0.59	0.37	0.74	0.79	0.53	0.62	0.65	0.66	0.67	0.72	0.25	0.61	0.71	0.68	0.67	0.66	0.81	1.00	0.82	0.77	0.48	0.56	0.04	0.38	0.48	0.44	0.54
CE24	0.63	0.65	0.72	0.07	0.61	0.56	0.48	0.64	0.65	0.58	0.63	0.60	0.51	0.60	0.71	0.29	0.65	0.72	0.68	0.68	0.66	0.74	0.82	1.00	0.86	0.57	0.51	0.15	0.47	0.54	0.56	0.42
CE25	0.60	0.61	0.68	0.22	0.64	0.54	0.40	0.65	0.70	0.65	0.60	0.66	0.54	0.60	0.62	0.31	0.58	0.63	0.60	0.64	0.65	0.68	0.77	0.86	1.00	0.67	0.52	0.19	0.44	0.53	0.49	0.58
CE26	0.07	0.51	0.26	0.35	0.16	0.55	0.35	0.57	0.39	0.46	0.58	0.41	0.57	0.56	0.65	0.18	0.57	0.56	0.47	0.37	0.59	0.43	0.48	0.57	0.67	1.00	0.59	0.08	0.29	0.41	0.32	0.10
CE27	0.44	0.28	0.43	0.50	0.51	0.30	0.25	0.52	0.45	0.47	0.33	0.45	0.39	0.39	0.66	0.26	0.40	0.42	0.36	0.40	0.48	0.48	0.56	0.51	0.52	0.59	1.00	0.23	0.28	0.27	0.40	0.42
CE28	0.07	0.05	0.04	0.05	0.06	0.09	0.14	0.04	0.13	0.05	0.03	0.06	0.04	0.05	0.02	0.11	0.06	-0.01	0.01	0.11	0.14	0.05	0.04	0.15	0.19	0.08	0.23	1.00	0.27	0.28	0.08	0.04
CE29	0.37	0.43	0.36	0.39	0.29	0.30	0.36	0.37	0.44	0.44	0.44	0.42	0.24	0.36	0.40	0.28	0.39	0.38	0.38	0.49	0.42	0.38	0.38	0.47	0.44	0.29	0.28	0.27	1.00	0.60	0.47	0.39
CE30	0.40	0.48	0.48	0.44	0.38	0.39	0.41	0.42	0.47	0.46	0.44	0.45	0.30	0.47	0.37	0.28	0.42	0.44	0.46	0.51	0.47	0.45	0.48	0.54	0.53	0.41	0.27	0.28	0.60	1.00	0.52	0.52
CE31	0.46	0.58	0.51	0.27	0.57	0.62	0.42	0.20	0.30	0.56	0.40	0.31	0.57	0.32	0.56	0.21	0.38	0.49	0.36	0.46	0.68	0.60	0.44	0.66	0.49	0.32	0.40	0.08	0.47	0.52	1.00	0.65
CE32	0.56	0.41	0.59	0.63	0.64	0.60	0.32	0.38	0.56	0.63	0.72	0.51	0.55	0.61	0.65	0.22	0.41	0.40	0.57	0.40	0.57	0.68	0.54	0.42	0.58	0.10	0.42	0.04	0.39	0.52	0.65	1.00

Table 6-3 illustrates the low-item correlations (indicated in red), which were removed with the aim of refining the scale for the second data collection phase of this study. The remaining items were included in the self-administered questionnaire for the next data collection phase.

Main finding 3

Based on the first purification phase, an initial set of 32 items measuring customer engagement was found to be reliable.

6.4.2 Exploratory factor analysis

In addition to reliability testing, an exploratory factor analysis (EFA) was conducted to determine whether there were underlying dimensions amongst the 32 items used to measure customer engagement, since three potential activities (cognitive, behavioural and emotional) emerged from the literature review (see section 4.5.2).

The EFA was performed by means of SPSS version 23, using the PCA (as data was normally distributed), and the direct oblimin rotation technique (as factors were likely to correlate with each other). Prior to performing the Principal Components Analysis, the suitability of the data for factor analysis was determined by inspecting the correlation matrix and the Kaiser-Meyer-Olkin value. The correlation matrix revealed the presence of several coefficients of 0.40 and larger, and the Kaiser-Meyer-Olkin value was 0.96, which exceeded the recommended cut-off value of 0.60 (Kaiser, 1970; 1974), and Bartlett's test of sphericity (Bartlett, 1954) reached statistical significance, supporting the factorability of the correlation matrix. The Principal Components Analysis revealed the presence of four components with eigenvalues exceeding 1.00, explaining 60.02%, 5.33%, 4.03% and 3.41% of the variance respectively (depicted in Table 6-4).

Table 6-4: Pattern matrix

Label	Statement	Component			
		1	2	3	4
CE1	My bank makes me feel like I belong.	0.813			
CE2	The employees at my bank make me feel welcome.	0.754			
CE3	I am proud to be a customer of my bank.	0.867			
CE5	My bank's employees inspire me.	0.791			
CE6	When dealing with the employees at my bank I feel pleased.	0.433			
CE7	I do not feel ambushed with communication from my bank (emails, text messages, phone calls)	0.499	0.441		
CE8	I care about my bank.	0.504			
CE9	I care about my bank's product and service offerings.	0.826			

Table 6-4: Pattern matrix (cont.)

Label	Statement	Component			
		1	2	3	4
CE10	I have a positive attitude towards my bank.	0.511			
CE11	I feel that the employees at my bank treat me fairly.	0.612	0.538		
CE12	It feels good to be a customer of my bank.	0.567			
CE13	I cannot imagine a world without my bank.	0.694			
CE14	I am usually deeply captivated by my bank's capabilities.	0.613			
CE15	Time passes quickly while I interact with my bank.	0.790			
CE16	I am dependent on my bank's online interaction.		0.452		0.543
CE17	I mostly have positive service interactions with my bank.	0.777			
CE18	My bank keeps its promises.	0.859			
CE19	My bank is reliable.	0.824			
CE20	My bank has integrity.	0.845			
CE22	My bank is perfect for people like me.	0.437	-0.520		
CE23	I feel energised when interacting with my bank.	0.871			
CE24	I am completely involved when interacting with my bank.	0.848			
CE25	I am willing to put effort into interacting with my bank.	0.814			
CE27	I share my ideas on improving my bank's products and/or services.	0.566		0.478	0.430
CE28	I complain to other people when I am unsatisfied with my bank.		0.542	0.599	
CE29	I am willing to complain to my bank when I am unsatisfied.	0.511	0.550		
CE30	I am willing to try other products or services of my bank.	0.581	0.487		
CE31	I have confidence in my bank's products and services.	0.608			0.563
CE32	I have confidence in my bank's employees.	0.531			0.470

Extraction method: principal component analysis (PCA)

Rotation method: oblimin with Kaiser normalisation

Values below 0.40 are not shown

As indicated in Table 6-4, several items cross-loaded on more than one component. Based on the results of the reliability test (Table 6-3), as well as the results of the EFA (Table 6-4), the initial set of items was reduced by eliminating those items with low inter-item correlations (from the reliability test) as well as those items that cross-loaded or did not load at or above the generally accepted cut-off of 0.40 (for the EFA). The EFA was therefore run several times, each time eliminating items that were cross-loading or not loading. The resulting items were finally analysed, from which only one component emerged. The items under this component were reviewed to see how they related with existing literature on the concept of customer engagement. The results of this EFA support the use of the final set of items to measure customer engagement as one

construct (non-multidimensional). This final set of items, as indicated in Table 6-5, was used for the second data collection phase (Step 5). The items CE26 and CE27 were added to the list of items as they were founded in theory, in an attempt to have at least 15 items for the second data collection phase.

Table 6-5: Final customer engagement items

Label	Statement
CE1	My bank makes me feel like I belong.
CE2	The employees at my bank make me feel welcome.
CE3	I am proud to be a customer of my bank.
CE5	My bank's employees inspire me.
CE9	I care about my bank's product and service offerings.
CE15**	Interacting with my bank is time-consuming.
CE17	I mostly have positive service interactions with my bank.
CE18	My bank keeps its promises.
CE19	My bank is reliable.
CE20	My bank has integrity (acts fairly, ethically and openly in everything it does).
CE23	I feel energised when interacting with my bank.
CE24	I am completely involved when interacting with my bank.
CE25	I am willing to put effort into interacting with my bank.
CE26*	I frequently make use of my bank's products and services.
CE27*	I frequently participate in the activities of my bank (such as fund raisers, competitions, etc.)

* added items

** reversed item

Main finding 4

Based on the first purification phase, the initial set of 32 items measuring customer engagement was reduced to 15 items loading on one component.

6.5 STEP 5: SECOND DATA COLLECTION PHASE

The second data collection phase commenced shortly after the required changes had been made to the initial set of customer engagement items and the questionnaire. During the second data collection phase, the customer engagement scale comprised 15 items (listed in Table 6-10) and therefore only 75 respondents were required (as explained in section 5.4.1.5) to form part of the sample. However, in order to ensure adequate data collection, the researcher decided to collect 160 questionnaires, and quota sampling (based on gender, age and race) was again utilised in order to ensure that a balanced group of respondents partake in the data collection (see section

5.4.2 for more detail). A total of 168 questionnaires were distributed (based on the sampling plan), from which a total of 152 useable questionnaires were obtained for further statistical analysis.

6.5.1 Sample profile (second data collection phase)

A summary of the sample profile for respondents who took part in the second phase of data collection is presented in Table 6-6. Table 6-6 presents the frequencies (F) and percentages (%) of the demographics of respondents who took part in the second data collection phase, namely their race, age, gender, home language, employment status and highest level of education.

Table 6-6: Demographic profile of respondents

Variables		Total	
		F	%
Race	Black	39	25.7
	Coloured	34	22.4
	Indian	38	25.0
	White	41	27.0
Age	Generation X (20–37 years)	53	34.9
	Generation Y (38–49 years)	57	37.5
	Baby boomers (50–70 years)	42	27.6
Gender	Male	72	47.4
	Female	80	52.6
Home language	Afrikaans	44	28.9
	English	71	46.7
	isiNdebele	5	3.3
	isiTsonga	1	0.7
	isiXhosa	3	2.0
	isiZulu	11	7.2
	Sepedi	2	1.3
	Sesotho	6	3.9
	Setswana	8	5.3
	Tshivenda	0	0.0
	Other	1	0.7

Table 6-6: Demographic profile of respondents (cont.)

Variables		Total	
		F	%
Employment status	Student	7	4.6
	Unemployed	1	0.7
	Self-employed	24	15.8
	Part-time employed	13	8.6
	Full-time employed	97	63.8
	Housewife or Househusband	4	2.6
	Retired	3	2.0
	Missing value(s)	3	2.0
Highest level of education	Some high school	8	5.3
	Matric/Grade 12 completed	58	38.2
	Diploma	49	32.2
	University degree	25	16.4
	Post-graduate degree	8	5.3
	Missing value(s)	4	2.6

It is evident from Table 6-6 that the sample was fairly balanced in terms of race, age and gender as a result of the quota sampling method used during data collection. Furthermore, most respondents indicated that they spoke English as their home language (46.7%), followed by Afrikaans (28.9%). The majority of the respondents who took part in the second data collection phase indicated that they were employed full-time (63.8%), followed by 15.8% respondents who were self-employed and 8.6% who were employed part-time. The largest section of the respondents for the second data collection phase specified that they had completed matric/Grade 12 as their highest level of education (38.2%), followed by 32.2% of respondents who indicated that they had completed a diploma, and 16.4% who indicated that they had completed a university degree.

Main finding 5

Respondents were relatively equally represented in terms of race, age, and gender; most respondents were English-speaking; the majority of respondents were employed full-time; and the majority of respondents had completed matric as their highest level of education.

6.5.2 Patronage habits (second data collection phase)

The respondents' patronage habits for the second phase of data collection were also summarised in terms of the respondents' main retail bank, the type of personal account(s) held at this bank,

the duration the respondent had been a customer at this bank, and the frequency of visiting the branch of the bank and the bank's website or social media sites.

6.5.2.1 Respondents' retail bank

Table 6-7 provides the frequencies (F) and percentages (%) of the patronage habits of respondents for the second data collection phase.

Table 6-7: Patronage habits (second data collection phase)

Patronage habit	Total	
	F	%
Retail bank		
Absa	43	28.3
Capitec Bank	20	13.2
FNB	42	27.6
Nedbank	16	10.5
Standard Bank	31	20.4
Type of personal account(s)		
Savings account	82	53.9
Cheque account	92	60.5
Credit account	45	29.6
Other	12	7.9
Duration of being a customer of the retail bank		
2–3 years	34	22.4
4–5 years	32	21.1
6–7 years	23	15.1
8–9 years	24	15.8
10 years or longer	39	25.7
Regularity of visiting the retail bank's branch		
Weekly	11	7.2
Monthly	11	7.2
Every two to three months	35	23.0
Twice a year	42	27.6
Once a year	20	13.2
Less than once a year	13	8.6

Table 6-7: Patronage habits (second data collection phase) (cont.)

Patronage habit	Total	
	F	%
Regularity of visiting the retail bank's online environment		
Daily	12	7.9
Weekly	27	17.8
Monthly	49	32.2
Every two to three months	13	8.6
Twice a year	3	2.0
Once a year	6	3.9
Less than once a year	7	4.6
Not at all	35	23.0

As illustrated in Table 6-7, the majority of respondents who participated in the second data collection phase held their personal account or most of their personal accounts at Absa (28.3%). This is closely followed by 27.6% of respondents who held their personal account(s) at FNB.

Table 6-7 also demonstrates that the majority of the respondents who took part in the second data collection phase of the study had a cheque account (60.5%). As the respondents were asked to indicate all of their personal accounts, a further 53.9% of the respondents indicated that they held a savings account at their specified retail bank, and 29.6% had credit accounts.

Furthermore, the majority of respondents who took part in the second data collection phase had been a customer of the specified retail bank for ten years or longer (25.7%). This is followed by 22.4% of respondents who indicated that they had been a customer at their specified retail bank for two to three years. Table 6-7 also indicates that 21.1% of the respondents had been a customer of their specified retail bank for four to five years, 15.8% had been a customer of the retail bank for eight to nine years and 15.1% had been a customer of the retail bank for six to seven years.

It is also clear that the larger section of respondents who participated in the second data collection phase visited the retail bank branch every two to three months (27.6%) or monthly (23%). This is followed by 13.2% of respondents who indicated that they visited their retail bank branch twice a year as well as less than once a year. Table 6-7 also indicates that 8.6% of respondents only visited their retail bank once a year. Additionally, some respondents also indicated that they visited their retail bank branch weekly (7.2%) and daily (7.2%).

Table 6-7 furthermore illustrates that the majority of respondents who took part in the second data collection phase, visited their retail bank's online environment on a monthly basis (32.2%). This

is followed by respondents who indicated that they did not visit their retail bank's online environment at all (23%). Respondents also indicated that they visited the retail bank's online environment on a weekly basis (17.8%), while others indicated that they visited these sites only every two to three months (8.6%), followed by those who said they visited these sites on a daily basis (7.9%). Other smaller percentages of respondents indicated that they visited the online sites of their retail bank less than once a year (4.6%), once a year (3.9%), and twice a year (2%).

Main finding 6

The majority of respondents (from the second data collection phase) held their personal account(s) – which were mainly cheque accounts – at Absa; the majority of respondents had been customers of their bank for 10 years or longer; the majority of respondents either visited the branch of their retail bank every two to three months, or on a monthly basis; whereas the majority of respondents visited their bank's online environment on a monthly basis.

6.6 STEP 6: ASSESS RELIABILITY

Step 6 of Churchill's (1979) procedure for scale development involves determining the reliability of the scale, which was again calculated by means of Cronbach alpha coefficient. Cronbach alpha value was calculated on the 15 remaining items of the second data collection phase. Cronbach alpha was 0.94, thus indicating that the 15-item measure correlated well with the scores.

Once again, low inter-item correlations were removed (CE15) and only the items with inter-item correlations of above 0.40 were retained. Table 6-8 provides the inter-item correlations of the second data collection phase and indicates the items that were retained as well as the item (CE15) that was removed (indicated in red).

After the item CE15- had been removed (with the aim of refining the scale for the second data collection phase of this study), Cronbach alpha was re-calculated. A high Cronbach alpha value of 0.96 was attained, which indicated that the 14-item scale was still reliable (after removing CE14).

Main finding 7

The set of 14 items (from the second data collection phase) measuring customer engagement was found to be reliable.

Table 6-8: Inter-item correlation matrix

	CE1	CE2	CE3	CE4	CE5	CE17	CE18	CE15	CE19	CE20	CE23	CE24	CE25	CE26	CE27
CE1	1.00	0.82	0.87	0.80	0.74	0.83	0.68	-0.03	0.67	0.73	0.77	0.60	0.62	0.63	0.66
CE2	0.82	1.00	0.82	0.78	0.67	0.79	0.72	-0.03	0.64	0.70	0.74	0.62	0.66	0.59	0.65
CE3	0.87	0.82	1.00	0.81	0.68	0.78	0.71	-0.07	0.72	0.74	0.82	0.58	0.62	0.71	0.68
CE4	0.80	0.78	0.81	1.00	0.79	0.82	0.71	-0.01	0.66	0.75	0.78	0.60	0.66	0.70	0.62
CE5	0.74	0.67	0.68	0.79	1.00	0.77	0.74	0.08	0.70	0.77	0.70	0.59	0.68	0.72	0.52
CE17	0.83	0.79	0.78	0.82	0.77	1.00	0.79	-0.01	0.71	0.78	0.74	0.68	0.67	0.66	0.51
CE18	0.68	0.72	0.71	0.71	0.74	0.79	1.00	-0.07	0.78	0.74	0.71	0.63	0.60	0.68	0.58
CE15	-0.03	-0.03	-0.07	-0.01	0.08	-0.01	-0.07	1.00	0.00	0.06	-0.05	0.11	0.15	0.04	0.09
CE19	0.67	0.64	0.72	0.66	0.70	0.71	0.78	0.00	1.00	0.81	0.73	0.71	0.69	0.75	0.59
CE20	0.73	0.70	0.74	0.75	0.77	0.78	0.74	0.06	0.81	1.00	0.72	0.65	0.71	0.69	0.59
CE23	0.77	0.74	0.82	0.78	0.70	0.74	0.71	-0.05	0.73	0.72	1.00	0.73	0.79	0.76	0.63
CE24	0.60	0.62	0.58	0.60	0.59	0.68	0.63	0.11	0.71	0.65	0.73	1.00	0.84	0.73	0.66
CE25	0.62	0.66	0.62	0.66	0.68	0.67	0.60	0.15	0.69	0.71	0.79	0.84	1.00	0.79	0.64
CE26	0.63	0.59	0.71	0.70	0.72	0.66	0.68	0.04	0.75	0.69	0.76	0.73	0.79	1.00	0.67
CE27	0.66	0.65	0.68	0.62	0.52	0.51	0.58	0.09	0.59	0.59	0.63	0.66	0.64	0.67	1.00

As Churchill's procedure (1979:70) suggests, the scale needs to be both reliable and valid. The next section, therefore, discusses the determination of validity of the 14-item scale.

6.7 STEP 7: ASSESS VALIDITY

The validity of a scale refers to the accuracy of the measure as well as the extent to which differences in scale scores reflect true variances (Burns & Bush, 2014:214; Malhotra, 2010:320). As discussed in Chapter 5 (section 5.3.5.3), researchers infer the validity of the measure by means of one or more of the main assessment methods, namely face, construct and/or criterion validity. According to Churchill's procedure (1979:70), construct validity needs to be determined in order for the scale to be valid; however, **for this study**, face, construct, criterion, as well as nomological validity were determined.

6.7.1 Face validity

As mentioned in Chapter 5 (section 5.3.5.3.2), face validity (content validity) is present when a measure appears to measure what was intended. According to Churchill (1979:70), face validity is present as a result of the process followed when Step 1 (specify the domain of the study) and Step 2 (generate a sample of items) are completed. Face validity was also achieved by means of the experience survey conducted amongst a sample of 15 experts specialising in the fields of consumer behaviour, services marketing and relationship marketing (discussed in detail in section 5.4.1.7). As the study made use of an experience survey, various academics in the field of marketing and business management confirmed that the scale showed evidence of face validity.

Main finding 8

The items measuring customer engagement showed evidence of face validity.

6.7.2 Construct validity

Construct validity involves understanding the theoretical foundation underlying the research measurement and is also described as the degree to which the research variables are completely and correctly identified prior to hypothesising any functional relationship (Feinberg *et al.*, 2013:130; Shiu *et al.*, 2009:282). Construct validity involves discriminant and convergent validity, which are subsequently discussed.

6.7.2.1 Discriminant validity

As explained in Chapter 5 (section 5.3.5.3.1), discriminant validity represents the uniqueness of the measure. Discriminant validity is confirmed by the factor analysis if a factor structure emerges

that confirms that the structure is as predicted (Malhotra, 2010:321). Table 6-9 depicts the factor loadings of each of the remaining 14 items of the customer engagement scale, indicating that the remaining 14 items had a significant factor loading, above the recommended threshold of 0.40, ranging from 0.57 to 0.895, and all the items loaded onto only one dimension. This simple and interpretable factor structure confirmed evidence of discriminant validity.

Table 6-9: Factor loadings

Label	Item	Component
		1
CE1	My bank makes me feel like I belong.	0.872
CE2	The employees at my bank make me feel welcome.	0.849
CE3	I am proud to be a customer of my bank.	0.881
CE4	My bank's employees inspire me.	0.887
CE5	I care about my bank's product and service offerings.	0.850
CE17	I mostly have positive service interactions with my bank.	0.892
CE18	My bank keeps its promises.	0.844
CE19	My bank is reliable.	0.850
CE20	My bank has integrity (acts fairly, ethically and openly in everything it does).	0.869
CE23	I feel energised when interacting with my bank.	0.895
CE24	I am completely involved when interacting with my bank.	0.795
CE25	I am willing to put effort into interacting with my bank.	0.834
CE26	I frequently make use of my bank's products and services.	0.733
CE27	I frequently participate in the activities of my bank (such as fund raisers, competitions, etc.)	0.566

Extraction Method: Principal Component Analysis.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy 0.929

Bartlett's Test of Sphericity, significant at 0.000

6.7.2.2 Convergent validity

As described in Chapter 5 (section 5.3.5.3.1), convergent validity is concerned with internal consistency and the extent to which the scale correlates positively with other measures of the same construct (Malhotra, 2010:321). Consequently, convergent validity is the measurement of an existing construct with independent measurement methods (Feinberg *et al.*, 2013:130; Shiu *et al.*, 2009:282). Therefore, satisfactory Cronbach alpha scores (of above 0.70) as presented in section 6.6, confirm the convergent validity of the scale.

Main finding 9

The set of 14 items (from the second data collection phase) measuring customer engagement showed construct validity (i.e. discriminant and convergent validity).

6.7.3 Criterion validity

In order to confirm criterion validity, items measuring loyalty, trust and satisfaction were included in the questionnaire. Criterion validity was then assessed by correlating the customer engagement variable with the dependent variables of loyalty, trust and satisfaction. Customer engagement was expected to have a positive relationship with loyalty, trust and satisfaction (as theorised in sections 4.9 and 4.10). Furthermore, the items of the customer engagement scale were computed into a single score and a Pearson correlation coefficient was performed (using SPSS version 23) in order to determine the correlations between the respective variables.

As indicated in Table 6-10, there was a significant positive relationship (at the 0.0001 confidence level) between customer engagement, loyalty, trust and satisfaction. According to Pallant (2013:139), correlation scores between $r = 0.10$ and 0.29 indicate a small correlation, scores between $r = 0.30$ and 0.49 indicate a medium correlation, while scores of $r = 0.50$ to 1.00 indicate a strong correlation. Criterion validity is therefore confirmed as Table 6-10 illustrates that all values are above 0.70 , which indicates that correlations existed between the constructs.

Table 6-10: Correlation scores

	Customer engagement	Loyalty	Trust	Satisfaction
Customer engagement	1.000	0.896	0.882	0.786
Loyalty	0.896	1.000	0.902	0.828
Trust	0.882	0.902	1.000	0.843
Satisfaction	0.786	0.828	0.843	1.000

Main finding 10

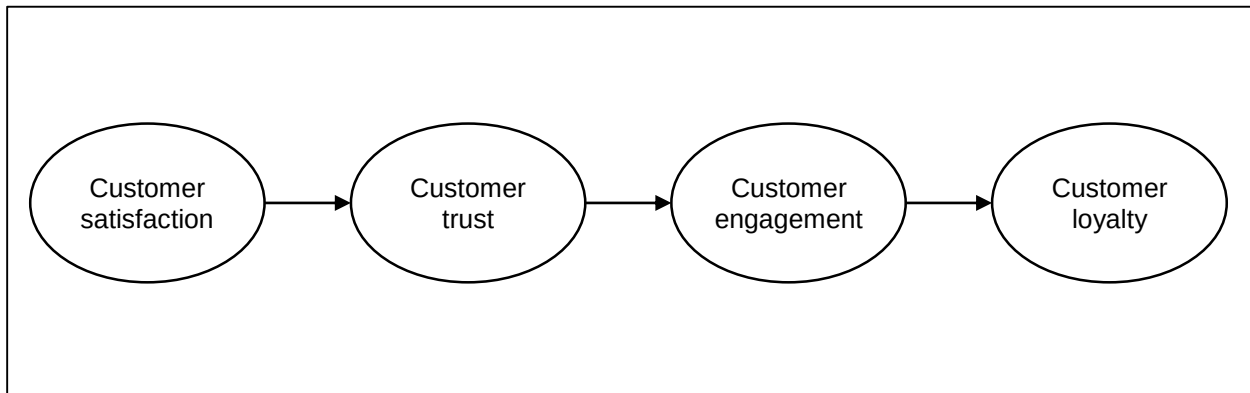
The set of 14 items (from the second data collection phase) measuring customer engagement showed criterion validity.

6.7.4 Nomological validity

In addition to the standard types of validities mentioned above, the nomological validity of the customer engagement scale was also determined. Nomological validity was assessed by

determining how other variables (namely customer satisfaction, loyalty and trust) relate to the scale of customer engagement, as illustrated in Figure 6-2.

Figure 6-2: Nomological structure of customer engagement



The proposed nomological structure (Figure 6-2) is based on the literature review (Chapters 2, 3 and 4) of this study, as several associations were found between marketing constructs, such as customer interaction, brand attachment, brand commitment, customer commitment, customer satisfaction, customer involvement, customer trust, customer loyalty, customer satisfaction, repurchase intent, co-creation and development and consumer engagement. For the purpose of this study, the nomological validity assessed the interrelationships between customer engagement and customer satisfaction, customer trust and customer loyalty. Consequently, these constructs were incorporated into the second questionnaire. It is therefore, important to review these constructs; hence, customer satisfaction, loyalty and trust are discussed in the next section along with reliability, validity, distribution, means, SDs and differences of each construct.

6.7.4.1 Customer satisfaction

According to Madjid (2013:53) and Zboja and Voorhees (2006:385), customer satisfaction positively affects trust as an intermediate variable. As discussed in Chapter 4 (section 4.9), customer satisfaction is the customer's fulfilled expectations, which leads to a positive post-purchase evaluation of the business' product or service offerings (Javadein *et al.*, 2008:3). Furthermore, satisfaction is a necessary condition that needs to be present in the creation of customer engagement, according to Belanche (2013:80). As explained in the customer engagement cycle in section 4.8, customers will only stay connected with the business and continue to interact with the business and other customers when they are satisfied.

6.7.4.1.1 Reliability and validity of customer satisfaction

In order to measure customer satisfaction in the second data collection phase, a reliable and sound theoretical measure was adapted (from Oliver, 1997) to fit the context of the study. To ensure that the customer satisfaction scale used in the study was valid and reliable, Cronbach alpha coefficient was calculated, and a CFA was conducted. The items of the customer satisfaction scale as well as the scale's reliability and validity are indicated in Table 6-11.

Table 6-11: Customer satisfaction items, reliability and factor loadings

Items	Factor loadings
Cronbach alpha value	0.87
I am satisfied with my decision to become a customer of my bank.	0.89
If I had to do it all over again, I would choose a different bank.	0.73
My choice to become a customer of my bank was a wise one.	0.91
I feel bad about my decision to become a customer of my bank.**	0.63
I think that I did the right thing when I decided to become a customer of my bank.	0.86

** Reversed item

As indicated in Table 6-11, the items measuring customer satisfaction were found to be reliable (with a Cronbach alpha value of 0.87, thus exceeding the cut-off value of 0.70). In addition, the CFA determined that the items measuring customer satisfaction made up one component, with an eigenvalue exceeding 1, explaining 66.24% of the variance. The measurement system analysis (MSA) was 0.78. The factor loadings varied between 0.63 and 0.91. The reliability and validity of the customer satisfaction measure were thus confirmed.

Main finding 11

The items measuring customer satisfaction within the South African retail banking industry were found to be valid and reliable.

6.7.4.1.2 Distribution of customer satisfaction results

To determine whether the results obtained for the items measuring respondents' satisfaction with their retail bank show a normal distribution, the skewness and kurtosis of the distribution of the results for the five customer satisfaction items (in Table 6-11) were examined. According to West *et al.* (1995:74), a skewness of less than 2.00 and kurtosis of less than 7.00 indicate normal distribution. All five customer satisfaction items fall within these limits, thus indicating that the results for these items are normally distributed.

6.7.4.1.3 Means of customer satisfaction

Table 6-12 depicts the SDs and mean scores as well as overall mean scores for customer satisfaction. It is further important to note that all customer satisfaction was measured on a 7-point scale (where 1 = “strongly disagree” and 7 = “strongly agree”).

Table 6-12: Means of customer satisfaction

Construct		Mean	SD
Customer satisfaction		4.09	0.792
Satisfaction1	I am satisfied with my decision to become a customer of my bank.	5.67	1.543
Satisfaction2	If I had to do it all over again, I would choose a different bank.	2.83	2.140
Satisfaction3	My choice to become a customer of my bank was a wise one.	5.60	1.558
Satisfaction4	I feel bad about my decision to become a customer of my bank.	2.33	1.799
Satisfaction5	I think that I did the right thing when I decided to become a customer of my bank.	5.62	1.522

Customer satisfaction realised an overall mean score of 4.09, which means that the majority of respondents agreed that they were overall satisfied with their retail bank. All items measuring this construct realised means that range between 2.33 (Satisfaction 4: “I feel bad about my decision to become a customer of my bank”), and 5.67 (“I am satisfied with my decision to become a customer of my bank”).

6.7.4.1.4 Differences

To determine whether there were differences between respondents’ satisfaction and the quotas (gender, age and race) that were assigned to the research population (as discussed in section 5.3.4.1.2) as well as differences between customers of various banks, type of accounts as well as the duration that customers is making use of the bank parametric tests were performed.

Since the data was found to be normally distributed (see section 6.7.4.1.2), parametric tests (in the form of one-way ANOVAs and independent samples t-tests) were performed to determine whether statistically significant differences existed between the different groups of respondents’ satisfaction with their retail banks.

Table 6-13: Independent samples t-test (gender)

Group	N	Mean	SD	p-value	d-value
Male	72	4.30	0.752	0.102	-0.267
Female	79	4.51	0.821		

As can be seen in Table 6-13, no statistically significant differences were found between male and female respondents with regard to their satisfaction with their retail bank ($p > 0.05$).

To determine whether statistically significant differences existed between groups of respondents representing different race groups and their satisfaction with their retail bank, a one-way ANOVA was performed.

Table 6-14: ANOVA (race groups)

Race	N	Mean	SD	Groups	Mean difference	Significance
Black	38	4.56	1.015	Coloured Indian White	0.093 0.205 0.285	0.960 0.673 0.386
Coloured	34	4.46	0.618	Black Indian White	-0.093 0.112 0.192	0.960 0.932 0.726
Indian	38	4.35	0.914	Black Coloured White	-0.205 -0.112 0.079	0.673 0.932 0.971
White	41	4.27	0.523	Black Coloured Indian	-0.285 -0.192 -0.079	0.386 0.726 0.971

From Table 6-14, it can be concluded that no statistically significant differences existed between respondents based on race and their satisfaction with their retail bank.

To determine whether statistically significant differences existed between respondents in terms of their age, retail bank, type of bank account, and duration of being a customer of the bank, and their satisfaction with their retail bank, one-way ANOVAs were conducted. The results of the one-way ANOVAs indicated that no statistically significant differences existed between respondents (regarding their age, retail bank, account type, and duration of being a customer) in terms of their satisfaction with their bank.

Main finding 12

Different groups of respondents did not differ statistically significantly in terms of their satisfaction with their retail bank.

6.7.4.2 Customer trust

Chapter 4 (section 4.9) discussed trust and its relationship with customer engagement. Trust can be regarded as an antecedent of customer engagement (Vivek *et al.*, 2014:412). According to Bowden (2009:576) and Henning-Thurau *et al.* (2002:236), trust is generally defined in relationship marketing literature as the perceived reliability and benevolence, the confidence in, and willingness to rely on the business. In order to measure customer trust in the second data collection phase, a reliable and valid measure was chosen and adapted from Lee and Moghavvemi (2015:108) and Zeyad *et al.* (2015:113) to suit the context of this study.

A CFA was conducted to determine the reliability and validity of the customer trust scale used in the study. The items of the customer trust scale, and the scale's reliability and validity are indicated in Table 6-15.

Table 6-15: Customer trust items, reliability and factor loadings

Items	Factor loadings
Cronbach alpha value	0.94
My bank treats me in an honest way in every transaction.	0.91
I feel safe in my transaction with my bank.	0.91
The service of my bank is trustworthy.	0.91
The staff at my bank is trustworthy.	0.85
The services of my bank are reliable.	0.90

The items measuring customer trust as indicated in Table 6-15, are reliable (with a Cronbach alpha value of 0.94, consequently exceeding the cut-off value of 0.70). In addition, the CFA determined that the items measuring customer trust made up one component, with an eigenvalue exceeding 1, explaining 80.46% of the variance. The MSA was 0.87. The factor loadings varied between 0.85 and 0.91. The reliability and validity of the customer trust measure were thus confirmed.

Main finding 13

The items measuring customers' trust towards South African retail banks were found to be valid and reliable.

6.7.4.2.1 Distribution of customer trust results

To determine whether the results obtained for the items measuring respondents' trust towards their retail bank showed a normal distribution, the skewness and kurtosis of the distribution of the

results for the five customer trust items (in Table 6-16) were examined. According to West *et al.* (1995:74), a skewness of less than 2.00 and kurtosis of less than 7.00 indicate normal distribution. All five customer trust items fall within these limits, thus indicating that the results for these items are normally distributed.

6.7.4.2.2 Means of customer trust

Table 6-16 depicts the SDs and mean scores as well as overall mean scores for customer trust. It is further important to note that all customer trust was measured on a 7-point scale (where 1 = “strongly disagree” and 7 = “strongly agree”).

Table 6-16: Means of customer trust

Construct		Mean	SD
Customer trust		5.52	1.311
Trust1	The staff at my bank is trustworthy.	5.40	1.600
Trust2	My bank treats me in an honest way in every transaction.	5.49	1.518
Trust3	I feel safe in my transactions with my bank.	5.60	1.554
Trust4	The services of my bank are trustworthy.	5.47	1.514
Trust5	The services of my bank are reliable.	5.64	1.340

Customer trust realised an overall mean score of 5.52, which means that the majority of the respondents agreed that they had trust in their retail bank. All items measuring customer trust realised means that ranged between 5.40 and 5.64. The lowest item was “The staff at my bank is trustworthy”, while the item with the highest mean score was “The services of my bank are reliable”.

6.7.4.2.3 Differences

To determine whether statistically significant differences existed between respondents in terms of their age, race, gender, retail bank, type of bank account, and duration of being a customer of the bank, and their trust towards their retail bank, one-way ANOVAs were conducted. The results of the one-way ANOVAs indicated that no statistically significant differences existed between respondents (regarding their age, retail bank, account type, and duration of being a customer) in terms of their trust towards their bank.

Main finding 14

Different groups of respondents did not differ statistically significantly in terms of their trust towards their retail bank.

6.7.4.3 Customer loyalty

As discussed in Chapter 4 (section 4.9), one of the consequences of engaged customers is the realisation of loyal customers (Brodie *et al.*, 2011:260; Cheung *et al.*, 2015:92). Customer loyalty has to do with the commitment the customer displays when supporting the business exclusively over a long period of time as a result of an emotional connection and a feeling of benevolence towards the business (Babin & Harris, 2014:315; Berndt & Tait, 2012:27; Lovelock & Wirtz, 2011:338). In order to measure customer loyalty in the second data collection phase of the study successfully, a reliable and tested scale was utilised in the questionnaire of the second data collection phase. The items of the measure of customer loyalty were adapted from Dimitriadis (2006:791) to be relevant to the banking industry.

6.7.4.3.1 Reliability and validity of customer loyalty

The reliability and validity of the customer loyalty scale was determined by means of a Cronbach alpha coefficient and CFA respectively. The items of the customer loyalty scale as well as the reliability and validity are provided in Table 6-17.

Table 6-17: Customer loyalty items, reliability and factor loadings

Items	Factor loadings
Cronbach alpha value	0.94
I would definitely recommend my bank to someone who seeks my advice.	0.90
I would encourage relatives and friends to use the services offered by my bank.	0.91
I intend to use more services offered by my bank in the next few years.	0.88
I say positive things about my bank to others.	0.92
I would continue using my bank's services, even if the rates increase somewhat.	0.89

The items measuring customer loyalty are reliable (with a Cronbach alpha value of 0.88, thus exceeding the cut-off value of 0.70), as indicated in Table 6-17. In addition, the CFA determined that the items measuring customer loyalty made up one component, with an eigenvalue exceeding 1, explaining 81.25% of the variance. The MSA was 0.90. The factor loadings varied between 0.88 and 0.92. The reliability and validity of the customer loyalty measure were thus confirmed.

Main finding 15

The items measuring customers' loyalty towards South African retail banks were found to be valid and reliable.

6.7.4.3.2 Distribution of customer loyalty results

To determine whether the results obtained for the items measuring respondents' loyalty towards their South African retail bank showed a normal distribution, the skewness and kurtosis of the distribution of the results for the five customer loyalty items (in Table 6-17) were examined. All five customer loyalty items fall within these limits, thus indicating that the results for these items are normally distributed.

6.7.4.3.3 Means of customer loyalty

Table 6-18 depicts the SDs and mean scores as well as overall mean scores for customer loyalty. It is further important to note that all customer loyalty was measured on a 7-point scale (where 1 = "strongly disagree" and 7 = "strongly agree").

Table 6-18: Means of customer loyalty

Construct		Mean	SD
Customer loyalty		5.16	1.431
Loyalty1	I would definitely recommend my bank to someone who seeks my advice.	5.53	1.590
Loyalty2	I would encourage relatives and friends to use the services offered by my bank.	5.34	1.742
Loyalty3	I intend to use more services offered by my bank in the next few years.	5.24	1.679
Loyalty4	I say positive things about my bank to others.	5.42	1.626
Loyalty5	I consider my bank as my first choice to get the services that I need.	5.47	1.565

Customer loyalty realised an overall mean score of 5.16, which means that the majority of respondents agreed that they were overall loyal to their retail bank. All items measuring this construct realised means that ranged between 5.24 (Loyalty 4: "I say positive things about my bank to others"), and 5.53 (Loyalty 1: "I would definitely recommend my bank to someone who seeks my advice").

6.7.4.3.4 Differences

To determine whether statistically significant differences existed between respondents in terms of their age, retail bank, type of bank account, and duration of being a customer of the bank, and their loyalty towards their retail bank, one-way ANOVAs were conducted. The results of the one-way ANOVAs indicated that no statistically significant differences existed between respondents in terms of their loyalty towards their bank.

Main finding 16

Different groups of respondents did not differ statistically significantly in terms of their loyalty towards their retail bank.

6.7.4.4 Customer engagement

As discussed in Chapter 4 (section 4.4) customer engagement is defined as a psychological process that goes beyond awareness, purchase, satisfaction and retention, and leads to the creation of loyalty. It is furthermore characterised by a level of cognitive, emotional and behavioural activity, which is interactive and co-creative in the relationship with a business, as well as an intensity of participation and association with the offerings and activities of the business, which either the customer or the business instigates and which could result in positive word of mouth as well as customer loyalty, where customer engagement is characterised by a degree of vigour, dedication, absorption and interaction.

6.7.4.4.1 Reliability and validity of customer engagement

As discussed in sections 6.6 and 6.7, the reliability and validity of the scale for customer engagement were determined. All items measuring customer engagement were found to be reliable (with Cronbach alpha values of above the 0.70 cut-off as illustrated in Table 6-19). In addition, the CFA determined that the items measuring customer engagement make up one component. The reliability and validity of the customer engagement scale were thus confirmed.

Main finding 17

The items measuring customer engagement within the South African retail banking industry were found to be valid and reliable.

6.7.4.4.2 Distribution of customer engagement results

To determine whether the results obtained for the items measuring respondents' engagement with their South African retail bank show a normal distribution, the skewness and kurtosis of the distribution of the results for the customer engagement items (in Table 6-19) were examined. All customer engagement items fell within these limits, thus indicating that the results for these items were normally distributed.

6.7.4.4.3 Means of customer engagement

Table 6-19 depicts the SDs and mean scores as well as overall mean scores for customer engagement. It is further important to note that all customer engagement was measured on a 7-point scale (where 1 = “strongly disagree” and 7 = “strongly agree”).

Table 6-19: Means of customer engagement

Construct		Mean	SD
Customer engagement		5.20	1.317
CE1	My bank makes me feel like I belong.	5.36	1.637
CE2	The employees at my bank make me feel welcome.	5.52	1.469
CE3	I am proud to be a customer of my bank.	5.49	1.548
CE4	My bank's employees inspire me.	4.90	1.722
CE5	I care about my bank's product and service offerings.	5.34	1.470
CE17	I mostly have positive service interactions with my bank.	5.46	1.569
CE18	My bank keeps its promises.	5.53	1.500
CE19	My bank is reliable.	5.60	1.425
CE20	My bank has integrity (acts fairly, ethically and openly in everything it does).	5.62	1.418
CE23	I feel energised when interacting with my bank.	4.93	1.710
CE24	I am completely involved when interacting with my bank.	5.10	1.671
CE25	I am willing to put effort into interacting with my bank.	5.09	1.584
CE26	I frequently make use of my bank's products and services.	5.22	1.696
CE27	I frequently participate in the activities of my bank (such as fund raisers, competitions, etc.)	3.48	2.039

Table 6-19 shows the overall mean score of customer engagement is 5.20 – which means that the majority of respondents agreed that they were overall satisfied with their retail bank. CE20 (“My bank has integrity” realised the highest mean score while CE27 (“I frequently participate in the activities of my bank”) showed the lowest mean score.

6.7.4.4.4 Differences

To determine whether statistically significant differences existed between respondents in terms of their age, race, gender, retail bank, type of bank account, and duration of being a customer of the bank, and their engagement towards their retail bank, one-way ANOVAs were conducted. The results of the one-way ANOVAs indicated that no statistically significant differences existed between respondents (regarding their age, retail bank, account type, and duration of being a customer) in terms of their engagement with their bank.

Main finding 18

Different groups of respondents did not differ statistically significantly in terms of their engagement with their retail bank.

6.7.4.5 Nomological structure model testing

To test the fit of the proposed nomological structure model (see Figure 6-14) with the observed data, structural equation modelling (SEM) was conducted. The results of the SEM indicated an acceptable fit between the measures. The standardised regression weights and goodness of fit indices of the SEM are presented in Tables 6-14 and 6-15 respectively. As indicated in Table 6-20, the standardised regression weights (β) are all statistically significant and interpretable.

Table 6-20: Standardised regression weights

	β weight	<i>p</i> -value
Customer satisfaction → customer trust	0.546	< 0.001
Customer trust → customer engagement	0.915	< 0.001
Customer engagement → customer loyalty	0.968	< 0.001

To determine whether a SEM fits the observed data, several fit indices need to be reported. According to Barrett (2007:816), a model can be accepted as a good fit when $\chi^2 > 0.05$. However, most researchers do not consider the fit index to be very useful as a result of limitations with regard to the sample size, model size and distribution variables. Consequently, when a sample is very large, the χ^2 usually results in large significant value (Hooper *et al.*, 2008:54). Similarly, large models with many variables tend to have higher χ^2 values (Newsom, 2012). Consequently, the χ^2 test might indicate no or a poor model fit, and, the adjusted indices would also demonstrate the degree to which inconsistencies occur within a model (Barrett, 2007:816).

As indicated in Table 6-21, a χ^2/df value of 5.066 was obtained, which is slightly above the adequate fit threshold of 5.00, indicating an unacceptable fit. However, the comparative fit index (CFI), normed fit index (NFI) and root mean square error of approximation (RMSEA) indicated a good overall fit of the model to the data (CFI = 0.923; NFI = 0.919; RMSEA = 0.035 [0.023–0.045]).

Table 6-21: Goodness of fit indices for SEM

	χ^2/df	CFI	NFI	RMSEA
Suggested cut-off points	≤ 5.00	≥ 0.90	≥ 0.90	≤ 0.10
Structural model	5.066	0.923	0.919	0.035 [0.023–0.045]

From Table 6-21, it can further be concluded that satisfaction statistically significantly predicts trust, trust statistically significantly predicts customer engagement, and lastly customer engagement statically significant predicts customer loyalty. As a result of the acceptable model fit, the nomological validity of the customer engagement scale can therefore be confirmed.

Main finding 19

The set of 14 items (from the second data collection phase) measuring customer engagement showed nomological validity.

6.8 CONCLUSION

This chapter provided the statistical results of the study and presented the findings of the research with regard to the development of a scale to measure customer engagement in the South African retail banking industry. The chapter commenced with a review of the scale development process, followed by a discussion of steps 3 to 8 of the scale development process followed for this study. Lastly, data was further analysed by means of t-tests and one-way ANOVAs to determine whether differences existed based on age, race, gender, retail bank, type of account or duration at bank. The next chapter concludes the study by presenting the conclusions and recommendations of the study.

CHAPTER 7

CONCLUSIONS, RECOMMENDATIONS AND LIMITATIONS

7.1 INTRODUCTION

This chapter presents the final stage of the study by reporting the conclusions and recommendations from the empirical results reported in Chapter 6, in addition to the main limitations of the study. The chapter includes a brief overview of the study, a summary of the main findings, followed by the conclusions and recommendations in relation to the secondary objectives of the study. Furthermore, the chapter emphasises the contribution of the study, and indicates the identified limitations of the study. The chapter concludes by suggesting recommendations for potential future research.

7.2 OVERVIEW OF THE STUDY

According to Ernest and Young (2012:1) and Taylor (2011:2), the South African retail banking industry is facing an exciting yet challenging time. Retail banks are growing increasingly, by providing a variety of products and services to a progressively changing and demanding customer base. Subsequently, as discussed in Chapter 1 (section 1.2), South African retail banks are facing numerous challenges in attempting to sustain a competitive advantage due to the unpredictable economic position, the escalation of regulatory costs, new entrants that are entering this emerging marketplace and the changing needs and perceptions of customers (Taylor, 2011:1).

The retail banking industry is further confronted with the ease with which customers can simply switch between banks when they feel that their needs are not met or when they feel unsatisfied (Ernest & Young, 2012:1; Taylor, 2011:2). This is further complicated by the broken trust relationship between the customer and retail bank due to the financial crisis of 2008 when retail banks struggled to provide tailored banking products and services to satisfy customers' expectations (Ernest & Young, 2012:6; Springfield, 2015). These changes in the banking environment are negatively affecting the industry's profitability. According to PWC (2016:4), the sustainability of South Africa's core banks (Absa, Capitec Bank, FNB, Nedbank and Standard Bank) cannot be overstated, as this directly influences the economic stability of South Africa. According to BusinessTech (2016), customers from Absa, FNB, Nedbank, and Standard Bank all had negative ratings regarding their banks' customer service, banking fees, as well as credit and savings products and services. Capitec Bank was the only bank to have a positive rating of 8.3%

(which is also not a great rating). Furthermore, customers from FNB and Absa also had the highest proportion of customers who indicated their intention to switch to another bank.

In order for retail banks to survive in this changing and demanding environment, it is necessary to establish enduring relationships with customers. As previously discussed (section 3.4.4.1), some advantages for the business of establishing strong long-term relationships with customers are reduced costs, increased profitability, increased customer loyalty, increased customer advocacy, added value, and competitive advantage. Similarly, the customer also benefits from having enduring relationships with the business (as discussed in section 3.4.4.2). These benefits include an improved trust in the business, increased confidence in the business, increased social benefits, and special treatment benefits.

In order to capitalise on the value of these relationships, retail banks could focus on nurturing customer engagement, as engaged customers display positive behavioural intentions (see Chapter 4, section 4.5). These positive behavioural intentions include:

- advocating the bank and its services to others;
- participating in the service process;
- providing feedback to the service business;
- making suggestions on product and service development and improvement;
- complying with the rules and procedures of the service business;
- assisting other customers;
- recommending the products and services to others; and
- increasing brand loyalty.

Therefore, retail banks that are capable of identifying engaged customers, and which are able to measure customers' engagement towards their bank, could use this information to establish a strategic advantage above competitor banks.

However, as discussed in Chapter 4, customer engagement as a construct is still relatively new in marketing literature, as it only emerged as a topic of interest in 2006, which means that literature and information on this construct is still inadequate, especially in the service industry (Brodie *et al.*, 2011:255; Javornic & Mandelli, 2012:301; Sashi, 2012:257). This is particularly true for the South African retail banking industry where customer engagement is still an extremely new concept, and a scale to measure customer engagement in this context does not yet exist. This study therefore, aimed to address this gap by using Churchill's paradigm for scale development (established in 1979) to develop a scale to measure customer engagement in the retail banking

industry. In order to address the identified gap and research problem, the following primary and secondary objectives were formulated (see section 1.5).

The primary objective of the study was to develop a multi-item scale to measure the extent of customer engagement in the South African retail banking industry, while the secondary objectives set for the study were to:

- provide insights into the South African retail banking industry;
- provide a theoretical overview of services marketing;
- provide an overview of the theory that underpins customer engagement from a relationship marketing perspective;
- provide a theoretical overview to conceptualise customer engagement;
- develop a rudimentary scale to measure the extent of customer engagement in the retail banking industry;
- refine the customer engagement scale to exhibit a suitable factor structure across all items included in the scale;
- test the viability of the customer engagement scale in conjunction with other relationship marketing constructs; and
- determine whether differences exist between the different major retail banks included in the study.

With regard to the research methodology (discussed in Chapter 5), this study made use of an exploratory research design, as the study focused on the development of a multi-item scale using Churchill's paradigm (1979) in order to measure the extent of customer engagement in the South African retail banking industry. A quantitative research design was implemented. However, qualitative research techniques were also used to assist in developing the preliminary items to be included in the initial customer engagement scale to be fielded (discussed in detail in section 5.4.1.2). A self-administered questionnaire was used to collect data in the Johannesburg metropolitan area based on convenience (for the fieldworkers), and the target population included Generation X, Y and baby boomers, who had been making use of the retail banking services of one of the main retail banks (Absa, Capitec Bank, FNB, Nedbank and Standard Bank) for two or more years at the time of this study. A total of 231 usable questionnaires were collected during the first data collection phase, and 152 usable questionnaires during the second data collection phase for statistical analysis (using SPSS, version 23). Statistical analyses (discussed in Chapter 5, section 5.3.5.1) included Cronbach alpha values, EFA, CFA, frequencies, percentages, means, standard deviations, independent samples t-tests, one-way ANOVAs, as well as structural equation modelling (SEM).

The empirical results (presented in Chapter 6) provided statistical results and findings with regard to the development of a scale to measure customer engagement in the South African retail banking industry. In addition, Steps 3 to 7 of the scale development process were also presented in Chapter 6, from which the main findings were drawn. A summary of the main findings is subsequently presented.

7.3 SUMMARY OF MAIN FINDINGS

It is important to review the main findings of the empirical research before the conclusions and recommendations can be presented, as the main findings also convey the scale development progress. This section, therefore, provides a brief summary of the main findings from Chapter 6. The summary of main findings is presented in Table 7-1.

Table 7-1: Summary of main findings

Step of the scale development process	Step 3	Main finding 1	Respondents were relatively equally presented in terms of race, age and gender; most respondents were English-speaking; the majority of respondents were employed full-time; and the majority of respondents had completed matric as their highest level of education.
		Main finding 2	The majority of respondents (from the first data collection phase) held their personal account(s) – which were mainly cheque accounts – at Absa; the majority of respondents had been customers of their bank for either two to three years or for longer than nine years; the majority of respondents visited the branch of their retail bank on a monthly basis while the majority of respondents visited their bank's online environment on a weekly basis.
	Step 4	Main finding 3	Based on the first purification phase, an initial set of 32 items measuring customer engagement was found to be reliable.
		Main finding 4	Based on the first purification phase, the initial set of 32 items measuring customer engagement was reduced to 15 items loading on one component.
	Step 5	Main finding 5	Respondents were relatively equally represented in terms of race, age, and gender; most respondents were English-speaking; the majority of respondents were employed full-time; and the majority of respondents had completed matric as their highest level of education.
		Main finding 6	The majority of respondents (from the second data collection phase) held their personal account(s) – which were mainly cheque accounts – at Absa; the majority of respondents had been customers of their bank for 10 years or longer; the majority of respondents either visited the branch of their retail bank every two to three months, or on a monthly basis; whereas the majority of respondents visited their bank's online environment on a monthly basis.
	Step 6	Main finding 7	The set of 14 items (from the second data collection phase) measuring customer engagement was found to be reliable.

Table 7-1: Summary of main findings (cont.)

Step of the scale development process	Step 7	Main finding 8	The items measuring customer engagement showed evidence of face validity.
		Main finding 9	The set of 14 items (from the second data collection phase) measuring customer engagement showed construct validity (i.e. discriminant and convergent validity).
		Main finding 10	The set of 14 items (from the second data collection phase) measuring customer engagement showed criterion validity.
		Main finding 11	The items measuring customer satisfaction within the South African retail banking industry were found to be valid and reliable.
		Main finding 12	Different groups of respondents did not differ statistically significantly in terms of their satisfaction with their retail bank.
		Main finding 13	The items measuring customers' trust towards South African retail banks were found to be valid and reliable.
		Main finding 14	Different groups of respondents did not differ statistically significantly in terms of their trust towards their retail bank.
		Main finding 15	The items measuring customers' loyalty towards South African retail banks were found to be valid and reliable.
		Main finding 16	Different groups of respondents did not differ statistically significantly in terms of their loyalty towards their retail bank.
		Main finding 17	The items measuring customer engagement within the South African retail banking industry were found to be valid and reliable.
		Main finding 18	Different groups of respondents did not differ statistically significantly in terms of their engagement with their retail bank.
		Main finding 19	The set of 14 items (from the second data collection phase) measuring customer engagement showed nomological validity.

Based upon the preceding main findings and the empirical results, conclusions could be drawn. The conclusions of the research study are presented in 7.4.

7.4 CONCLUSIONS

This section reports on conclusions that were drawn based on the empirical results (discussed in Chapter 6) and the preceding literature chapters (Chapters 2, 3 and 4). The primary objective of the study was to develop a reliable and valid multi-item scale to measure the extent of customer engagement in the South African retail banking industry. The secondary objectives comprised a combination of theoretical and empirical contributions. Each of the secondary objectives formulated for this study is subsequently addressed by stating the associated conclusions.

7.4.1 Conclusion for secondary objective 1

Secondary objective 1:

Provide insights into the South African retail banking industry.

During the literature review in Chapter 2 (section 2.9), insights were provided into the South African retail banking industry, and retail banking was defined for the study as:

the cluster of financial products or services that are provided to cater for the diverse banking needs of customers for final use or consumption (excluding any other entities such as businesses or trusts), including deposits and financial advances at physical branches or via the Internet.

At the time of the research, the South African retail banking industry was dominated by five main banking groups (Absa, Capitec Bank, FNB, Nedbank and Standard Bank), which embodied nearly 80% of the sector's assets (Ernest & Young, 2012:55). According to BusinessTech (2016), Standard Bank currently has the biggest market share with 11.6 million customers, followed by Absa (9.4 million), Nedbank (7.4 million), Capitec Bank (7.3 million), and FNB (7.2 million). As discussed, the South African retail banking industry is currently experiencing significant growth and development. However, amidst this favourable situation, many competing banks are also entering the market and are providing competitive products and services to a diversified target market. This means that the main retail banks (Absa, Nedbank, First National Bank, Standard Bank and Capitec Bank) are facing growing competition in this market. Furthermore, external pressures are also making it more difficult for retail banks in this market to achieve and sustain a competitive advantage, as well as to retain their customer base. As discussed in Chapter 1 (section 1.3.4) as well as Chapter 2 (section 2.9), retail banks are finding it difficult to satisfy their customers because customers are becoming more and more demanding and are expecting increasingly more from their retail bank, over and above the ease with which customers can switch to another bank when they are not completely satisfied with the banking products and/or services. Moreover, the South African economic stability depends heavily on the success of the main retail banks, and as a result, which makes it important for retail banks to take this changing environment seriously. South African retail banks, therefore, need to realise the importance of creating and maintaining valuable long-term relationships and engagement with their customers as a survival tool.

In terms of the results from the empirical research, insights into the respondents of the retail banks who took part in the research were also presented in Chapter 6 (see 6.3.1 and 6.5.1). According to these results, respondents were mostly English-speaking, and were relatively equally represented in terms of age, race and gender. Furthermore, the majority of respondents were employed full-time, had completed matric as their highest level of education (**Main findings 1 & 5**). Likewise, the majority of respondents had cheque accounts at Absa. The majority of respondents had been customers of their bank for either two to three years or 10 years or longer, and visited the branch of their retail bank on a monthly basis or every two to three months, while

another majority visited the bank's online environment on a weekly or monthly basis (**Main findings 2 & 6**).

7.4.2 Conclusion for secondary objective 2

Secondary objective 2:

Provide a theoretical overview of services marketing.

As the retail banking industry falls within the services marketing sector, it was also important to provide a detailed theoretical overview of services marketing. Chapter 2 presented a detailed overview of services and services marketing. From the literature, definitions of services and services marketing were developed in (section 2.3).

Services was defined as intangible, perishable and identifiable economic acts, performances and experiences that provide time, place and form value to customers including convenience, amusement, timeliness, comfort or health by presenting solutions to problems during which ownership is not transferred.

Services marketing was defined It is therefore possible to define services marketing as a management orientation or philosophy that centres on customer satisfaction with the aim of creating value and on-going positive relationships with customers in a service environment through the process of planning, creating, distributing, promoting and pricing of services that are intangible, perishable and identifiable economic acts, performances and experiences, which present time, place and form value to customers including convenience, amusement, timeliness or comfort, by presenting solutions to problems that can systematically increase sales or other desired responses, including the establishment of a good reputation, in order to achieve the objectives of all stakeholders..

Additionally, the classification of services was presented in terms of the means of delivery, the degree of dependence of customer presence, and personal versus business use. The distinguishing features of services compared to goods were also explained with specific reference to the various service characteristics, such as intangibility, inseparability, heterogeneity, perishability and lack of ownership (section 2.5). Furthermore, it was important to review the various benefits that service businesses could gain when providing better services (discussed in section 2.6), the importance of understanding consumer behaviour during service delivery and the way various factors could influence the customer's decision-making process (section 2.7). Lastly, the assessment and implementation of successful service strategies were discussed, including the service gaps and elements of the service marketing mix.

7.4.3 Conclusion for secondary objective 3

Secondary objective 3:

Provide an overview of the theory that underpins customer engagement from a relationship marketing perspective.

In order to understand customer engagement, it was important to comprehend its place in the discipline of marketing; therefore Chapter 3 provided an overview of relationship marketing and the development of customer engagement. The evolution of marketing from a production era to a relationship and social era was discussed in section 3.2, where a clear shift in the perspective from individual transactions to long-lasting relationships was observed. This led to the realisation of the importance of satisfying customer needs and encouraging long-lasting relationships with customers in order to enhance customer value and to sustain in a competitive market. From the theory, a definition of relationship marketing was compiled:

Relationship marketing is a joint effort from the business that includes all marketing activities aimed at planning, identifying, attracting, developing, preserving, retaining and enhancing long-lasting, strong and successful relationships with individual customers and shareholders as well as to strengthen this relationship continuously by means of interactive, customised and value-added exchanges over an extended period of time for the purpose of attaining mutual benefit for both the business and the customers as the objectives of all parties involved will be met at a profit for the business.

Thereafter, the various benefits of relationship marketing as well as the drawbacks were presented, from the perspective of the business as well as the customer (section 3.4.4). The characteristics of relationship marketing were identified. It was furthermore, important to discuss the various drivers of relationship marketing (section 3.4.6) and the various stages of relationship development with specific reference to the relationship marketing ladder in section 3.4.7. Consequently, the importance of businesses to identify prospective customers with the aim of moving them through each level of the customer relationship ladder became apparent. The importance of engagement with customers in order to deepen the relationships with the business was further discussed.

7.4.4 Conclusion for secondary objective 4

Secondary objective 4:

Provide a theoretical overview to conceptualise customer engagement.

Chapter 4 provided a detailed theoretical overview of customer engagement in order to conceptualise an understanding of this construct. The theoretical foundation of customer engagement was discussed from the expanded domain of relationship marketing. This was followed by a summary in Table 4-1. of recent and significant literature on customer engagement. The importance of customer engagement was further discussed in section 4.3. Based on literature and universal elements (identified in Table 4-2) of customer engagement, a definition of customer engagement was formulated:

Customer engagement is a psychological process that goes beyond awareness, purchase, satisfaction and retention, which leads to the creation of loyalty, and is characterised by a level of cognitive, emotional and behavioural activity that is interactive and co-creative in the relationship with a business, as well as the intensity of participation and association with the offerings and activities of the business, which either the customer or the business instigates and can result in positive word of mouth as well as customer loyalty, where customer engagement is characterised by a degree of vigour, dedication, absorption and interaction.

The chapter also focused on distinguishing customer engagement from various similar marketing constructs, such as customer involvement, attachment, customer participation, co-production, customer devotion and brand communities (in section 4.6). Next, the various levels of engaged customers were discussed and illustrated in section 4.7. Furthermore, the customer engagement cycle was addressed, and the chapter concluded with discussions in sections 4.9 and 4.10 of the various antecedents and consequences of customer engagement. Antecedents of customer engagement included customer interaction, brand attachment, brand commitment, customer commitment, customer satisfaction, customer involvement and customer trust. Consequences of customer engagement were customer loyalty, customer satisfaction, word of mouth, repurchase intent, co-creation, trust, courage to complain and participation in brand communities. For the purpose of this study, customer satisfaction and trust antecedents, as well as the consequence of customer loyalty were chosen to be incorporated into the questionnaire for the second data collection phase in order to assess the nomological validity as discussed in section 6.7.4 and conclusions were drawn during the next section.

7.4.5 Conclusion for secondary objective 5

Secondary objective 5:

Develop a rudimentary scale to measure the extent of customer engagement in the retail banking industry.
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As discussed in Chapter 5 (section 5.4.1), the method implemented to develop a multi-item scale for customer engagement in the South African retail banking industry was based on Churchill's procedure for scale development (illustrated in Figure 1-2). Based on the guidelines of this procedure, a number of items were identified following a comprehensive theoretical study. The items were reviewed to ensure comprehensible wording, and double-barrelled items were removed or adjusted. In order to improve the items further, an experience survey and interviews were conducted (as discussed in section 6.7.1). The remaining 32 items were incorporated into a multi-item scale that was tested by means of a pilot study with 30 respondents. After making the final adjustments, a self-administered questionnaire was developed, which utilised the 32 items.

As discussed in section 5.3.1.4, a total of 231 usable questionnaires were collected and utilised for data assessment during the first data collection phase. During this data collection phase, quota sampling was implemented to ensure the representativeness of the population based on gender, age and race (discussed in section 5.3.4.1). The population consisted of:

- adults, 20 to 70 years old (i.e. Generations X, Y and baby boomers);
- living in the Johannesburg metropolitan area;
- who had been making use of the retail banking services of one of the main retail banks that dominated the South African market at the time of this research (Absa, Capitec Bank, FNB, Nedbank and Standard Bank);
- for two years or more.

The data analysis indicated that the respondents of the first data collection phase were relatively equally represented in terms of race, age and gender; most respondents were English-speaking; the majority of respondents were employed full-time; and the majority of respondents had completed matric as their highest level of education (Main finding 1). Furthermore, the results also indicated that the majority of respondents held their personal account(s) – which were mainly cheque accounts – at Absa; the majority of respondents had been customers of their bank for either two to three years, or longer than nine years; the majority of respondents visited the branch of their retail bank on a monthly basis; and the majority of respondents visited their bank's online environment on a weekly basis (**Main finding 2**).

7.4.6 Conclusion for secondary objective 6

Secondary objective 6:

Refine the customer engagement scale to exhibit a suitable factor structure across all items included in the scale.

Upon addressing secondary objective 5 (developing a rudimentary scale), the next phase entailed the improvement of the scale by purifying and determining the internal consistency of the 32 items measuring customer engagement. During this phase, Cronbach alpha coefficients were calculated to ensure that the 32 items were reliable and the scale had an acceptable Cronbach alpha value of 0.70 or higher (using SPSS, version 23). Low inter-item correlations were further removed (this is presented in Chapter 6, Table 6-3).

In addition to the reliability testing, an EFA was conducted to determine whether there were underlying dimensions amongst the 32 items. As discussed in section 6.4.2, only one component emerged. Based on the first purification phase, the initial set of 32 items measuring customer engagement was reduced to 15 items loading on one component (main finding 4). The final set of items to measure customer engagement was then used in the second self-administered questionnaire for the second data collection phase (presented in Table 6-4).

During the second data collection phase, a total of 168 usable questionnaires were collected (again by means of quota sampling based on gender, age and race). Respondents of the second data collection phase were relatively equally presented in terms of gender, age and race. Most respondents were English-speaking; the majority of respondents were employed full-time; and the majority of respondents had completed matric as their highest level of education. Furthermore, the majority of respondents held their personal account(s) – which were mainly cheque accounts – at Absa; the majority of respondents had been customers of their bank for 10 years or longer; the majority of respondents either visited the branch of their retail bank every two to three months, or on a monthly basis; and the majority of respondents visited their bank's online environment on a monthly basis (**Main finding 6**).

The reliability of the 15-item scale was then determined by means of Cronbach alpha coefficient, and low inter-item correlations were removed (presented in Table 6-8). After removing one item, the set of 14 items (from the second data collection phase) measuring customer engagement was found to be reliable (Main finding 7). After reliability had been determined, the validity of the scale was further assessed. In order to determine the validity of the scale, this study determined and provided evidence of construct, face, criterion as well as nomological validity (**Main findings 8, 9, 10 and 11**).

Based on the first purification phase, the initial set of 32 items measuring customer engagement was found to be reliable. The final customer engagement scale items are presented in Appendix F.

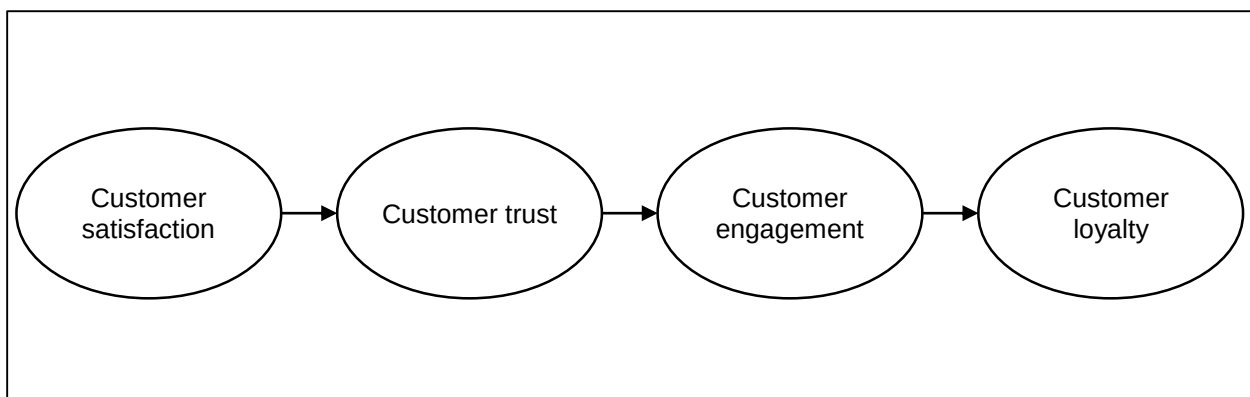
7.4.7 Conclusion for secondary objective 7

Secondary objective 7:

Test the viability of the customer engagement scale in conjunction with other relationship marketing constructs.

As discussed (in section 6.7.4), the nomological validity was also measured to determine how other variables identified in literature (customer satisfaction, customer loyalty and customer trust) related to the scale of customer engagement (as illustrated in the nomological structure of customer engagement Figure 7-1).

Figure 7-1: Nomological structure of customer engagement



These constructs were incorporated into the second self-administered questionnaire and the customer satisfaction, customer loyalty and customer trust scales used were found to be valid and reliable (**Main findings 11, 13 and 15**).

7.4.8 Conclusion for secondary objective 8

Secondary objective 8:

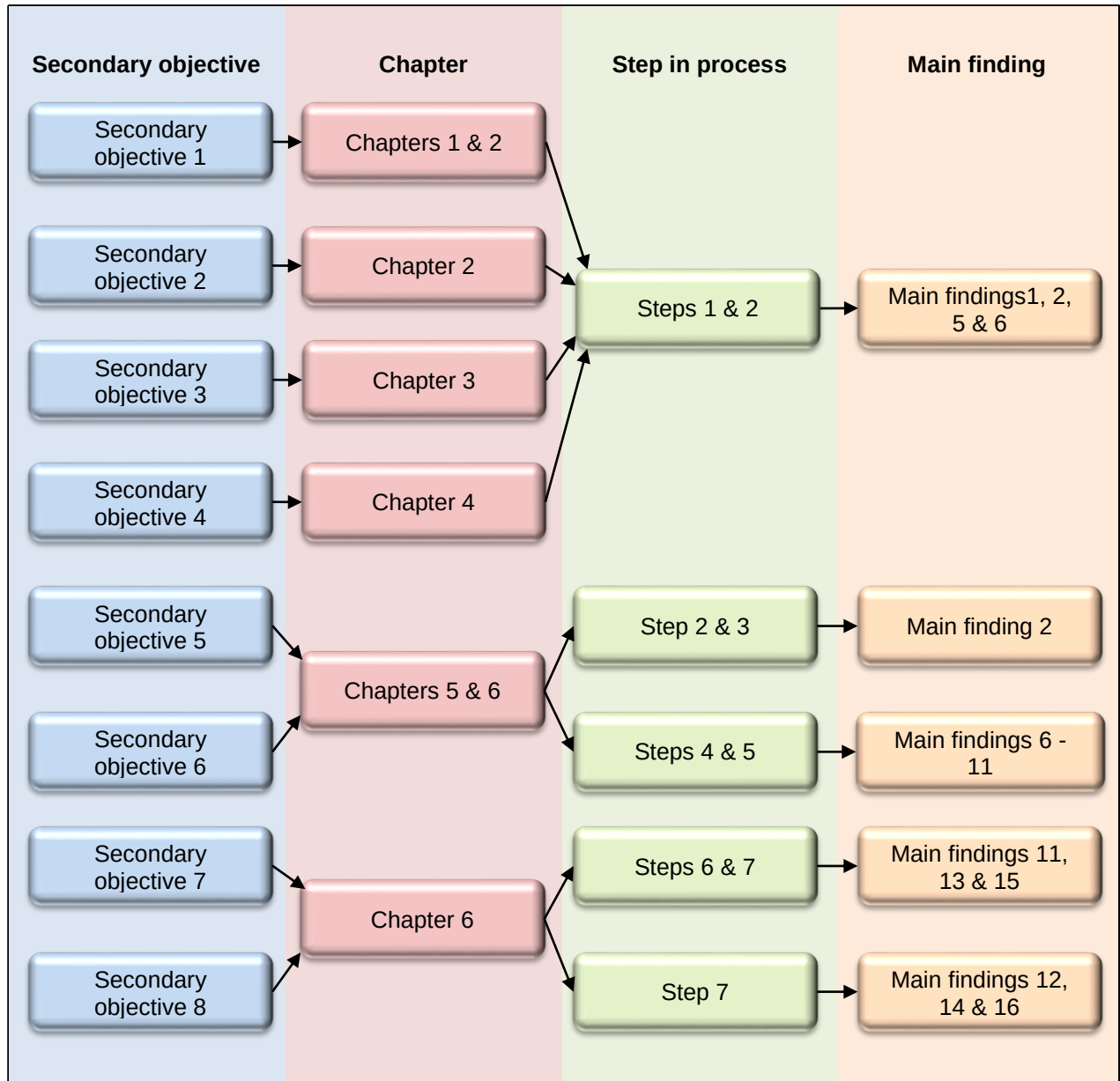
Determine whether differences exist between the different major retail banks included in the study.

In order to determine whether differences existed between the different main retail banks included in the study, independent t-tests and ANOVAs were calculated. However, no statistically significant differences were found for respondents' satisfaction, loyalty and trust towards their retail bank in terms of age, retail bank, type of bank account, or duration of being a customer at the bank (**Main findings 12, 14 and 16**). Similarly, ANOVAs were calculated in order to determine whether statistically significant differences existed between respondents in terms of their customer engagement and their age, race, gender, retail bank, type of bank account, and duration of being a customer of the bank (as discussed in section 6.7.4.4), and the results indicated that

different groups of respondents did not differ statistically significantly in terms of their engagement with their retail bank (**Main finding 18**).

It can therefore be concluded that the 14-item scale, which measured customer engagement successfully measured customer engagement in the SA retail banking industry, as this scale was not influenced by gender, age, race, retail bank, type of bank account, or duration of being a customer of the bank.

Figure 7-2: Summary of findings



7.5 RECOMMENDATIONS

Based on the empirical results (see Chapter 6) and the main findings (as discussed in the preceding section), this section provides recommendations based on theoretical as well as managerial implications.

7.5.1 Theoretical implications

Several theoretical implications were found during the study. Firstly, the study aided in the development of literature with regard to customer engagement from a relationship marketing and services marketing perspective. Moreover, the study provided insights into the retail banking industry of South Africa. The study was also the first to develop a reliable and valid rudimentary multi-item scale to measure customer engagement in the South African retail banking industry. Additionally, this study answered the appeal by the Marketing Science Institute (MSI) for the development of a better understanding of engagement. Lastly, the study also proposed a model of customer engagement during the testing of nomological validity (discussed in the preceding section, and presented in Figure 7.1).

7.5.2 Managerial implications

The study also proposes a number of recommendations for retail banking managers. Retail banks in South Africa could utilise the scale to measure customer engagement. Furthermore, retail banks could focus on improving the various items (as discussed and illustrated in section 6.7.2.1). Retail banks should therefore aim to improve customers' feelings of belonging to their retail bank, by making customers feel important. Belonging could also be improved by making the customer feel welcome and valued. This is especially important for retail banks to realise, as their front-line employees should be educated and need to understand their role in service delivery. It is also important to aim to establish pride in customers to be associated with the retail bank, as proud customers will support their retail bank and continue to recommend the retail bank to other potential customers.

Furthermore, the employees at retail banks need to inspire customers and provide positive service interactions. This can be done by providing front-line employees with training programmes that are specifically designed to increase positive service interactions with customers. Retail banks should also aim to make customers care more about the product and service offerings of the retail bank. In order to establish better customer engagement further, retail banks should always aim to keep promises made to customers in marketing communications and advertisements in order to make customers perceive them to be reliable.

It is also important for retail banks to act fairly, ethically and openly in daily operations to increase the customer's perception of the integrity of the retail bank. This item ("My bank has integrity" (acts fairly, ethically and openly in everything it does) realised the highest mean score, which means that respondents do believe that their retail bank has integrity (mean = 5.62). However, this is such an important element in customer engagement that retail banks should aim to continue to improve their image of integrity. It is also important for retail banks to create environments that make the interaction, which the customer has with the bank, more enjoyable (both online and in the branch). This could improve the way customers feel towards interacting with the retail bank, their involvement during the service delivery process and their willingness to make an effort to interact with the bank. The retail bank could also focus on encouraging customers to make use of the products and services of the retail bank more frequently to improve the current level of customer engagement further.

Retail banks need to motivate customers to participate in activities of the bank, for example fund-raisers or competitions. This is especially important as this item had the lowest mean score (mean = 3.48). Retail banks therefore need to improve this participation in order to establish more engaged customers. Retail banks could increase participation by focusing on building relationships with those customers who want to become long-term engaged customers as those customers will be more willing to participate in the business activities. Furthermore, retail banks could start rewarding customers who are willing to participate, with the aim to increase participation.

Retail banks could use this 14-item scale to measure customer engagement in the South African retail banking industry effectively as this scale was measured in a population that was equally represented in terms of race, age and gender and still no statistically significant differences were found towards their level of customer engagement, satisfaction, loyalty or trust. This further implies that the scale is reliable and can be utilised in the South African retail banking industry.

7.6 CONTRIBUTION OF THE STUDY

The study made a contribution by examining and identifying a number of challenges in the South African retail banking industry, which retail banks need to take into consideration (Chapter 2, section 2.9). Furthermore, an in-depth investigation into the concept of customer engagement was conducted, and the theoretical foundation of customer engagement was established with the aim of operationalising the concept of customer engagement. In addition, the study contributed a valid and reliable multi-item scale to measure the extent of customer engagement in the South African retail banking industry.

Likewise, the study contributed to the existing marketing literature as a result of the in-depth theoretical investigation in Chapters 2, 3 and 4. The study additionally benefits the South African banking industry by enabling retail banks to measure the concept of customer engagement. Based on the study, a model was suggested (during the nomological validity assessment) that could be used as a measure to establish customer loyalty in the retail banking industry.

Moreover, the multi-item scale guides retail banks to improve customer engagement so that they might enjoy the benefits of engaged customers and attain a competitive advantage in this changing industry. Lastly, the multi-item scale aids marketing scholars who want to continue to build on this scale in order to improve the awareness of the extent of customer engagement.

7.7 LIMITATIONS

Unfortunately, every research project has certain limitations that may influence the study. The limitations identified for the present study comprise limitations of the literature review as well limitations regarding the empirical research.

7.7.1 Limitations of the literature review

A number of literature review limitations were identified during the study.

- A limited amount of high-quality academic articles and sources of literature on the South African retail banking industry was available. As a result, the researcher also had to make use of literature pertaining to other countries to develop a better understanding of the retail banking industry.
- The concept of customer engagement is still fairly new, and literature on customer engagement is therefore still in its infancy stage, especially in the service industry.
- Scales to measure customer engagement in the retail banking industry do not yet exist, and therefore, literature on customer engagement in other researched industries was used and adapted to fit the focus of this study.

7.7.2 Limitations of the empirical research

A number of empirical research limitations were also identified in the study.

- The results of the study are not representative of the entire population and only reflect those respondents who took part in the research project. This is due to retail banks having very strict policies with regard to the privacy of their customer base.

- Furthermore, even though the Johannesburg metropolitan area (from which the samples were drawn) represents the economic hub of South Africa (Official website of the city of Johannesburg, 2013), it is not an accurate reflection of the entire South African population.
- Another limitation was that the self-administered questionnaire that was used for the first and second data collection phases was in English only. This could possibly have caused misunderstandings, as respondents may not have had English as their home language as South Africa is known for its diverse languages. This was confirmed by the results from the first and second data collection phases (Chapter 6). During the first data collection phase, 42.2% of respondents indicated that they spoke English as their home language, however, 57.6% indicated that they spoke other South African languages, namely Afrikaans, isiNdebele, isiTsonga, isiXhosa, isiZulu, Sepedi, Sesotho, Setswana and Tshivenda. During the second data collection phase, 47% of the respondents spoke English as their home language, while 53% of respondents spoke one of the other South African languages.

Despite the various limitations that were identified in the study, it is possible to make a number of recommendations for future research.

7.8 RECOMMENDATIONS FOR FUTURE RESEARCH

Future researchers could attempt to involve retail banks in future studies in order to attain a framework for probability sampling, as retail banks could greatly benefit from a scale that measures customer engagement that is representative of the entire population (not just the participating respondents).

This research could also be repeated in other provinces of South Africa (nationally), and the results could then be compared to determine whether customer engagement differs in different provinces.

Future research could also aim to involve a larger sample size to obtain a true and more accurate representation of the South African population.

The scale to measure customer engagement was developed specifically for the retail banking industry of South Africa. It would be interesting, however, to determine whether the scale could be used in other service industries in South Africa as well. Therefore, the scale could be adapted during future research and tested in other service industries.

In addition, the suggested model could be used in future research as a measure to establish customer loyalty in the retail banking industry. This measure could also be tested in other service industries.

7.9 CONCLUSION

This chapter presented an overview of the study, a summary of the main findings as well as the conclusions and recommendations from the research study. In addition, the contribution of the study was discussed as well as the various limitations identified during the study. Lastly, the chapter concluded with recommendations for possible future research.

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APPENDIX A

FIRST DATA COLLECTION PHASE QUESTIONNAIRE



Questionnaire number:

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Customer engagement in the South African retail banking industry

The aim of this questionnaire is to obtain feedback regarding your level of engagement with your bank. Taking part in this survey is completely voluntary. Completing the questionnaire should take approximately 10 minutes of your time. When evaluating a question, please answer the question from your own perspective by placing an X in the appropriate box or completing where required.

Should you have any questions, please contact Carinda Williams at 12745502@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 following South African banks for two or more years?

ABSA	Yes	No
Capitec Bank	Yes	No
First National Bank (FNB)	Yes	No
Nedbank	Yes	No
Standard Bank	Yes	No

If your answer is 'Yes' to at least one of the options above, please complete the questionnaire. If your answer is 'No' to all of the options above, you do not have to complete the questionnaire.

SECTION A – Bank patronage habits

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

ABSA	Capitec	First National Bank	Nedbank	Standard Bank
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2. Please indicate **all** the types of personal accounts you currently hold (at the bank indicated in **QUESTION 1**).

Savings account	Cheque account	Credit card account	Other, please specify:	
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3. How long have you have you been a customer at the bank indicated in **QUESTION 1**?

2 – 3 years	4 – 5 years	6 – 7 years	8 – 9 years	Longer than 10 years
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4. How often do you visit the **branch** of the bank indicated in **QUESTION 1**?

Daily	Weekly	Monthly	Every 2 to 3 months	Twice a year	Once a year	Less than once a year
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5. How often do you visit the **branch** of the bank indicated in **QUESTION 1**?

Daily	Weekly	Monthly	Every 2 to 3 months	Twice a year	Once a year	Less than once a year
Not at all						

SECTION B – Customer engagement

Indicate your level of agreement with the following statements, on a scale of 1 to 7 where 1 is 'strongly disagree' and 7 is 'strongly agree' regarding the bank you referred to in QUESTION 1

Statement	Strongly disagree	2	3	4	5	6	Strongly agree
My bank makes me feel like I belong.	1	2	3	4	5	6	7
The employees at my bank make me feel welcome.	1	2	3	4	5	6	7
I am proud to be a customer of my bank.	1	2	3	4	5	6	7
My bank's employees inspire me.	1	2	3	4	5	6	7
When dealing with the employees at my bank I feel pleased.	1	2	3	4	5	6	7
I do not feel ambushed with communication from my bank (emails, text messages, phone calls)	1	2	3	4	5	6	7
I care about my bank.	1	2	3	4	5	6	7
I care about my bank's product and service offerings.	1	2	3	4	5	6	7
I have a positive attitude towards my bank.	1	2	3	4	5	6	7
I feel that the employees at my bank treat me fairly.	1	2	3	4	5	6	7
It feels good to be a customer of my bank.	1	2	3	4	5	6	7
I cannot imagine a world without my bank.	1	2	3	4	5	6	7
I am usually deeply captivated by my bank's capabilities.	1	2	3	4	5	6	7
Time passes quickly while I interact with my bank.	1	2	3	4	5	6	7
I am dependent on my bank's online interaction.	1	2	3	4	5	6	7
I mostly have positive service interactions with my bank.	1	2	3	4	5	6	7
My bank keeps its promises.	1	2	3	4	5	6	7
My bank is reliable.	1	2	3	4	5	6	7
My bank has integrity.	1	2	3	4	5	6	7
My bank is perfect for people like me.	1	2	3	4	5	6	7
My bank has integrity.	1	2	3	4	5	6	7
My bank is perfect for people like me.	1	2	3	4	5	6	7
I feel energised when interacting with my bank.	1	2	3	4	5	6	7
I am completely involved when interacting with my bank.	1	2	3	4	5	6	7
I am willing to put effort into interacting with my bank.	1	2	3	4	5	6	7
I share my ideas on improving my bank's products and/or services.	1	2	3	4	5	6	7

Appendix A: First data collection phase questionnaire

Statement	Strongly disagree	2	3	4	5	6	Strongly agree
I complain to other people when I am unsatisfied with my bank.	1	2	3	4	5	6	7
I am willing to complain to my bank when I am unsatisfied.	1	2	3	4	5	6	7
I am willing to try other products or services of my bank.	1	2	3	4	5	6	7
I have confidence in my bank's products and services.	1	2	3	4	5	6	7
I have confidence in my bank's employees.	1	2	3	4	5	6	7
My bank makes me feel like I belong.	1	2	3	4	5	6	7
The employees at my bank make me feel welcome.	1	2	3	4	5	6	7
I am proud to be a customer of my bank.	1	2	3	4	5	6	7
My bank's employees inspire me.	1	2	3	4	5	6	7
I care about my bank's product and service offerings.	1	2	3	4	5	6	7
Interacting with my bank is time-consuming.	1	2	3	4	5	6	7
I mostly have positive service interactions with my bank.	1	2	3	4	5	6	7
My bank keeps its promises.	1	2	3	4	5	6	7
My bank is reliable.	1	2	3	4	5	6	7
My bank has integrity (acts fairly, ethically and openly in everything it does).	1	2	3	4	5	6	7
I feel energised when interacting with my bank.	1	2	3	4	5	6	7
I am completely involved when interacting with my bank.	1	2	3	4	5	6	7
I am willing to put effort into interacting with my bank.	1	2	3	4	5	6	7
I frequently make use of my bank's products and services.	1	2	3	4	5	6	7
I frequently participate in the activities of my bank (such as fund raisers, competitions, etc.)	1	2	3	4	5	6	7

SECTION C – Demographic information

1. In which year were you born?

19_____

2. What is your gender?

Male	Female
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3. What is your race?

Coloured	Black	Indian	White
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4. What is your home language?

Afrikaans	English	isiNdebele	isiSwati	isiTsonga	isiXhosa	isiZulu
Sepedi	Sesotho	Setswana	Tshivenda	Other, please specify:		

5. Which ONE of the following options describes your employment status the best?

Student	Unemployed	Self-employed	Part-time employed	Full-time employed	Housewife or House-husband	Retired
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6. What is your highest level of education?

Some primary school	Primary school completed	Some high school	Matric / Grade 12 completed	Diploma	University degree	Post-graduate degree
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Thank you for taking the time to complete this survey!

APPENDIX B

SECOND DATA COLLECTION PHASE QUESTIONNAIRE

Fieldworker initials and surname:

Questionnaire number:

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Your engagement with your bank

This questionnaire is designed to obtain feedback regarding your engagement with your bank, and forms part of a doctoral study at the North-West University (Potchefstroom Campus). Taking part in this survey is completely voluntary. Completing the questionnaire should take approximately 10 minutes of your time. When evaluating a question, please answer the question from your own perspective, by marking or completing where required.

Should you have any questions, please contact Carinda Williams at 12745502@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 following South African banks for two or more years?

ABSA	Yes	No
Capitec Bank	Yes	No
FNB (First National Bank)	Yes	No
Nedbank	Yes	No
Standard Bank	Yes	No

If your answer is 'Yes' to at least one of the options above, please complete the questionnaire. If your answer is 'No' to all of the options above, you do not have to complete the questionnaire.

SECTION A – Bank patronage habits

1. At which ONE of the following banks do you hold your personal account or most of your personal accounts?

ABSA	Capitec	FNB (First National Bank)	Nedbank	Standard Bank
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* Please note that the remainder of the questionnaire is based on your reply (choice of bank) indicated in question 1. *

2. Please indicate **all** the types of personal accounts you currently hold (at the bank indicated in **QUESTION 1**).

Savings account	Cheque account	Credit card account	Other, please specify:
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3. How long have you been a customer at the bank indicated in **QUESTION 1**?

2 – 3 years	4 – 5 years	6 – 7 years	8 – 9 years	Longer than 10 years
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4. How often do you visit the **branch** of the bank indicated in **QUESTION 1**?

Daily	Weekly	Monthly	Every 2 to 3 months	Twice a year	Once a year	Less than once a year
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5. How often do you visit the **website / social media site** of the bank indicated in **QUESTION 1**?

Daily	Weekly	Monthly	Every 2 to 3 months	Twice a year	Once a year	Less than once a year
Not at all						

SECTION B

Indicate your level of agreement with the following statements, on a scale of 1 to 7 where 1 is 'strongly disagree' and 7 is 'strongly agree' regarding the bank you referred to in QUESTION 1 (Section A).

Statement	Strongly disagree	2	3	4	5	6	Strongly agree
My bank makes me feel like I belong.	1	2	3	4	5	6	7
The employees at my bank make me feel welcome.	1	2	3	4	5	6	7
I am proud to be a customer of my bank.	1	2	3	4	5	6	7
My bank's employees inspire me.	1	2	3	4	5	6	7
I care about my bank's product and service offerings.	1	2	3	4	5	6	7
I mostly have positive service interactions with my bank.	1	2	3	4	5	6	7
My bank keeps its promises.	1	2	3	4	5	6	7
Interacting with my bank is time consuming.	1	2	3	4	5	6	7
My bank is reliable.	1	2	3	4	5	6	7
My bank has integrity (acts fairly, ethically and openly in everything it does).	1	2	3	4	5	6	7
I feel energised when interacting with my bank.	1	2	3	4	5	6	7
I am completely involved when interacting with my bank.	1	2	3	4	5	6	7
I am willing to put effort into interacting with my bank.	1	2	3	4	5	6	7
I frequently make use of my bank's products and services.	1	2	3	4	5	6	7
I frequently participate in the activities of my bank (such as fund raisers, competitions, etc.)	1	2	3	4	5	6	7

SECTION C

Indicate your level of agreement with the following statements, on a scale of 1 to 7 where 1 is 'strongly disagree' and 7 is 'strongly agree' regarding the bank you referred to in QUESTION 1 (Section A).

Statement	Strongly disagree	2	3	4	5	6	Strongly agree
I am satisfied with my decision to become a customer of my bank.	1	2	3	4	5	6	7
I would definitely recommend my bank to someone who seeks my advice.	1	2	3	4	5	6	7
The staff at my bank is trustworthy.	1	2	3	4	5	6	7
If I had to do it all over again, I would choose a different bank.	1	2	3	4	5	6	7
I would encourage relatives and friends to use the services offered by my bank.	1	2	3	4	5	6	7
My bank treats me in an honest way in every transaction.	1	2	3	4	5	6	7
My choice to become a customer of my bank was a wise one.	1	2	3	4	5	6	7
I intend to use more services offered by my bank in the next few years.	1	2	3	4	5	6	7
I feel safe in my transactions with my bank.	1	2	3	4	5	6	7
I feel bad about my decision to become a customer of my bank.	1	2	3	4	5	6	7
I say positive things about my bank to others.	1	2	3	4	5	6	7
The services of my bank are trustworthy.	1	2	3	4	5	6	7
I think that I did the right thing when I decided to become a customer of my bank.	1	2	3	4	5	6	7
I consider my bank as my first choice to get the services that I need.	1	2	3	4	5	6	7
The services of my bank are reliable.	1	2	3	4	5	6	7
I am not happy that I became a customer of my bank.	1	2	3	4	5	6	7
I would continue using my bank's services, even if the rates increase somewhat.	1	2	3	4	5	6	7
My bank helps me in completing my transactions successfully.	1	2	3	4	5	6	7
I would pay a higher price charge for the benefits I currently receive from my bank, than competitors.	1	2	3	4	5	6	7

SECTION D – Demographic details

1. In which year were you born?

19

2. What is your gender?

Male	Female
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3. What is your population group?

Black	Coloured	Indian	White
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4. What is your home language?

Afrikaans	English	isiNdebele	isiSwati	isiTsonga	isiXhosa	isiZulu
Sepedi	Sesotho	Setswana	Tshivenda	Other, please specify:		

5. Which one of the following options best describes your employment status?

Student	Unemployed	Self-employed	Part-time employed	Full-time employed	Housewife or House-husband	Retired
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6. What is your highest level of education?

Some primary school	Primary school completed	Some high school	Matric / Grade 12 completed	Certificate / Diploma	University degree	Post-graduate degree
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Thank you for taking the time to complete this survey!

APPENDIX C

LETTER FROM LANGUAGE EDITOR

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Language Editor and Translator
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DECLARATION

I hereby certify that the thesis by CC WILLIAMS was properly language edited but without viewing the final version.

The track changes function was used and the author was responsible for accepting the editor's changes and for finalising the reference list.

Title of thesis:
Developing a scale to measure the extent of customer engagement in the South African retail banking industry



JACKIE VILJOEN
Strand
South Africa
14 November 2018

APPENDIX D

QUESTIONNAIRE FIELDING DOCUMENT

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QUESTIONNAIRE FIELDING DOCUMENT

The population for this study consists of adults, 20–70 years old, living in the Johannesburg metropolitan area that are making use of the retail banking services of one of the main retail banks that dominate the South African market (Absa, Capitec Bank, FNB, Nedbank and Standard Bank) **for two years.**

The sampling quotas as well as division of quotas per fieldworker for the first data collection phase is summarised in Table 1.

Table 1: Sampling quotas for the first data collection phase (September 2015)

Race	Gender	Generation X (20 – 37 years)	Generation Y (38 – 49 years)	Baby boomers (50 – 70 years)	Total
Black	Female	10	10	10	30
	Male	10	10	10	30
Coloured	Female	10	10	10	30
	Male	10	10	10	30
Indian	Female	10	10	10	30
	Male	10	10	10	30
White	Female	10	10	10	30
	Male	10	10	10	30
Total		80	80	80	240
		Fieldworker A	Fieldworker B	Fieldworker C	

The sampling quotas as well as division of quotas per fieldworker for the second data collection phase is summarised in Table 2.

Table 2: Sampling quotas for the second data collection phase (March – May 2016)

Race	Gender	Generation X (20 – 37 years)	Generation Y (38 – 49 years)	Baby boomers (50 – 70 years)	Total
Black	Female	7	7	7	21
	Male	7	7	7	21
Coloured	Female	7	7	7	21
	Male	7	7	7	21
Indian	Female	7	7	7	21
	Male	7	7	7	21
White	Female	7	7	7	21
	Male	7	7	7	21
Total		56	56	56	168
		Fieldworker A	Fieldworker B	Fieldworker C	

General questions for the study's fieldwork

1. **Where** must the questionnaires be fielded?

In the metropolitan area of Johannesburg. This includes areas with a large number of respondents in hotspots across Johannesburg.

2. **How** do you get there?

A courtesy car will be provided to you to travel to the areas where you plan to collect data. This means that the traveling costs will be covered by the NWU School of Business management.

3. **How** must the questionnaires be fielded?

This is a self-administered questionnaire which means that the respondent will fill out the questionnaire on their own. You have to be close to answer any question that the respondents might have with regards to the questions. **(Only people who answer 'yes' to the screening questions on page 1 can participate in this study.)**

4. How will **payment** be done and when?

An **electronic payment** will be made into your account. It is your responsibility to complete your banking details correctly on the document provided. The payment of **R40 for each FULLY completed questionnaire** will be done on or before **after each data collection phase is completed**.

Please remember that you are making a contribution to academic literature, and be sure to field the questionnaires honestly.

APPENDIX E

REMOVED ITEMS FROM THE CUSTOMER ENGAGEMENT SCALE

Removed items
I feel a sense of belonging when using my bank's website or social media platforms (e.g. Facebook, Twitter, LinkedIn).
I am proud of my bank.
I will support my bank even if it faces difficulties.
I am enthusiastic about my bank.
I am passionate about my bank.
I generally feel inspired by my bank.
I feel inspired when I visit my bank's website or social media platforms.
My bank makes me happy.
When dealing with the employees at my bank I feel pleased.
My bank's website or social media platforms make me happy.
I trust my bank with my personal information.
I do not feel ambushed with e-mails from my bank.
I do not feel ambushed with text messages from my bank.
I do not feel ambushed with phone calls from my bank.
I am satisfied with my bank.
I am satisfied with the employees of my bank.
I care about my bank.
I have a positive attitude towards my bank.
I feel that I am treated fairly by my bank.
I feel that the employees at my bank treat me fairly.
It feels good to be a customer of my bank.
I am passionate about my bank's product and service offerings.
I cannot imagine a world without my bank.
I am usually deeply captivated by my bank's capabilities.
I find it difficult to detach myself from my bank.
Time passes quickly while I interact with my bank.
When I interact with my bank's website or social media platforms, I lose track of time.
I am obsessed with interacting on my bank's social media platforms.
I am dependent on my bank's online interaction.
Sometimes I race home to get to interact with my bank online.
I mostly have positive service interactions with my bank.

Appendix E: Removed customer engagement scale items

Removed items (cont.)
My bank keeps its quality promises.
My bank keeps its tariff promises.
My bank keeps its promise to provide after-sales services.
My bank keeps its promises of reliability.
My bank's product and service offerings are transparent to me.
My bank is perfect for people like me.
I am mentally determined when interacting with my bank.
I am willing to invest my time in my bank.
I am loyal to my bank.
I tell others about my bank's products and/or services.
In future, I will recommend my bank to others.
I actively persuade prospective customers to make use of my bank.
I often try to convert prospective customers to my bank.
I make suggestions for service improvements to my bank.
I share my ideas on improving my bank's products and/or services.
I complain to other people when I am unsatisfied with my bank.
I am willing to complain to my bank when I am unsatisfied.
I am willing to try other products or services of my bank.
I will continue to use the products and/or services of my bank.
I am committed to my bank.
I have complete confidence in my bank.
I have confidence in my bank's products and services.
I have confidence in my bank's employees.
I will continue to use the products and/or services of my bank.
I share my ideas for new products or services with my bank.

APPENDIX F

FINAL CUSTOMER ENGAGEMENT SCALE ITEMS

Customer engagement scale items
My bank makes me feel like I belong.
The employees at my bank make me feel welcome.
I am proud to be a customer of my bank.
My bank's employees inspire me.
I care about my bank's product and service offerings.
I mostly have positive service interactions with my bank.
My bank keeps its promises.
My bank is reliable.
My bank has integrity (acts fairly, ethically and openly in everything it does).
I feel energised when interacting with my bank.
I am completely involved when interacting with my bank.
I am willing to put effort into interacting with my bank.
I frequently make use of my bank's products and services.
I frequently participate in the activities of my bank (such as fund raisers, competitions, etc.)