



The antecedents of customer experience in retail banking

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Abstract

Customer experience in retail banking has become a key source of differentiation. Increased competition in the financial services industry and the global financial crisis caused financial institutions to find themselves in a difficult operating environment. A sustainable competitive advantage in the current environment cannot be achieved only through excellent service delivery, service quality and prices, but through the creation of memorable customer experiences.

The current study expands on the conceptual framework for the creation of customer experience proposed by Verhoef, Lemon, Parasuraman, Roggeveen, Leonard and Schlesinger (2009). In this paper the nature and extent to which the determinants discussed by Verhoef et al. impact on the customer experience is assessed. Using a quantitative method, a survey questionnaire measuring customers' perceptions about their experiences with the retail banking firms, was distributed to 1043 employees of the air transportation company. The study finds that the past experiences, brand and prices impacts more on customer experience than other determinants identified. The study also evaluates the impact of transformation and Black Economic Empowerment on customer experience.



Keywords

Customer experience, retail banking and Black Economic Empowerment (BEE).



Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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CHAPTER ONE - Introduction to research problem

1.1 Research title

The antecedents of customer experience in retail banking

1.2 Introduction

The retail banking industry has experienced major changes over the past 30 years. The deregulation of the industry, increased competition among banks and non-bank financial services, the adoption of new advanced technology and the evolving customer's preferences are some of the factors that have had a huge impact in the financial services industry. These changes, together with the current economic climate means that banks need to find alternative strategies to differentiate themselves from their competitors. According to the South Africa Business Guidebook (2008, p. 98), rivalry in the banking industry is growing, with banks competing on price, service, user value, customer trust, branding and reputation.

In order to compete effectively and differentiate themselves in the market, banks need to offer more than just low prices and innovative services. Beard and Dougan (2004) argue that banks have to re-think themselves as consumer brands and become aware of how customers experience their services. There is a need for banks to understand factors impinging upon consumers' banking experiences, commitment and loyalty to a service provider.

A sustainable competitive advantage cannot be achieved by only looking at the traditional elements of price, quality and service but by focusing on customer experience (Pine & Gilmore, 1999). The consumers have become sophisticated and very demanding. As a result many customers are looking for something more

than just competitive prices and good services; they want memorable experiences (Heineke & Davis, 2007).

Pine and Gilmore (1999) argue that experiences are a distinct offering and can be identified and described as the fourth economic offering following, agriculture, manufacturing and services. In the United States (US) customer-centric organisations improve their operations and provide better services by developing customer experience strategies and appointing customer experience executives to implement those strategies (Lutz, 2008).

1.3 Research objectives

Verhoef, Lemon, Parasuraman, Roggeveen, Leonard and Schlesinger (2009), conceptualise a model for customer experience creation in which they identify eight determinants of customer experience. However, this model requires further validation and application in other areas such as retail banking. Moreover, the tough retail banking environment and intense competition and rivalry require banks to understand how customers experience their brands. Lywood, Stone and Ekinci (2009) argue that creating superior customer experience has become an essential component of business profitability and customer loyalty.

With this in mind, the objectives of this study are to:

- develop a comprehensive understanding of the antecedents of customer experience.
- measure and assess the influence of these antecedents of customer experience in the retail banking industry.
- assess how individual customers perceive and experience the retail banking industry.
- assess the influence of Black Economic Empowerment (BEE) on customer experience in South African retail banking.

1.4 Research questions

To enable a more comprehensive understanding of customer experience in retail banking, this study seeks to address the following questions:

- To what extent do the determinants, classified by Verhoef et al. (2009), impact on the customer experience in the retail banking industry?
- Does BEE influence how customers experience the South African banks?
- What are the main drivers of customer experience in the retail banking industry?
- How can retail banking managers capitalise on these determinants to influence customer's behaviour and loyalty?

CHAPTER TWO - **Relevant theory base**

2.1 The concept of customer experience

Understanding and enhancing the customer experience presents an opportunity for business to develop strategies designed to transform satisfied and loyal customers into advocates. The customer's response and interpretation of service encounters and interactions, through multiple channels, with a service provider, creates a perception in the customer's mind of service experience (Grewal, Levy & Kumar, 2009; Hume, Mort, Liesch & Winzar, 2006). It is a cumulative effect of the positive responses to every point of contact and interaction with the business that culminate into a delightful customer experience.

This experience is internal, personal and subjective. It exists only in the mind of an individual who has been engaged on an emotional, physical, intellectual, or even spiritual level (Meyer & Schwager, 2007; Pine & Gilmore, 1999). According to Verhoef et al. (2009) customer experience is holistic in nature and involves the customer's cognitive, affective, emotional, social and physical responses to the retailer.

Consumers respond to brands, products and services on the basis of their affective and cognitive evaluations. The affective component pertains to the sensations, feelings and emotions that are experienced in response to an attitude object and the cognitive component refers to the positive and negative attributes and beliefs that are associated with an attitude object (Dube, Cervellon & Jingyuan, 2003). In other words, customer experience involves feelings and emotions of the consumer on the one hand and the beliefs, thoughts and rational arguments on the other hand. These feelings or emotions, beliefs and thoughts are experienced during customer interaction with the business through product or service offerings, physical settings and the employees.

By encouraging the employees to go the “extra mile” and carefully designing the service offerings, a service provider can create a memorable customer experience. Arnold, Reynolds, Ponder and Lueg (2005) find that the delightful experiences in the retail environment can amongst other things, be attributed to interpersonal and non-interpersonal factors. The interpersonal factors include interpersonal effort and interpersonal engagement that occurs during the interaction with the service provider. The non-interpersonal factors refer to the customer making an unanticipated acquisition and thus obtaining an unanticipated value.

In order to enhance customer experience in the retail environment, one needs to understand how customers think, perceive, behave and feel about the brand and its products and services. One also need to understand how their thoughts interact with their emotional states to influence their decisions and actions. Gentile, Spiller and Noci (2007) find that successful products and services involve customers’ senses, emotions, thoughts, acts, values and relations in different ways.

How the customers feel and what they think and perceive about the retail atmosphere, an interaction or encounter and the product or service offering influence their experience of the situations. O’Loughlin, Szmigin and Turnbull (2004), conceptualise customer experience as consisting of three components: brand experience, transactional experience and relationship experience. Berry, Carbone and Haeckel (2002) distinguish between the logical and emotional customer’s response to experience; they identify two types of clues - the clues relating to the functionality of the product or service, as well as emotional clues such as the “mechanics” and “humanics” clues emitted by things, surroundings, environment and the people at a point of contact with the business.

2.2 Customer experience in retail banking

According to Grewal et al. (2009) customer experience includes every point of contact at which the customer interacts with the business. In retail banking these points of contact are the bank branch, automated teller machines (ATMs),

telephone banking, cellphone banking and internet banking. The branch experience, ATMs experience, internet banking experience, telephone banking experience, cellphone banking experience as well as service delivery and service quality - all these shape customer experiences and behaviours.

Backstrom and Johansson (2006) argue that the branch experiences are to a large extent constituted by the behaviour of the bank's staff, service offerings and the layout and design of the facilities. The friendliness of the bank personnel, their competence and knowledge about the products and services offered, as well as a pleasant and welcoming branch environment, can lead to an enhanced customer experience. If the bank employees are polite, responsive and knowledgeable, strong relationships can be formed between the bank and its customers. These relationships tend to lead to satisfied, committed and loyal customers.

The branch layout and design has a significant impact on the customer experience. Ng (2002) finds that the physical features of the retail outlet such as the layout and background music influence customers' experiences and satisfy their psychological needs for social interaction, comfort and sensory stimulation. The design of the retail bank branch has become critical for the success of the business. Capitalising on the branch design and layout by creating an open and welcoming environment conducive to building customer relationships has become very important.

The advent of internet banking, the proliferation of ATMs and telephone and cellphone banking have provided alternative service distribution channels to the traditional branch banking. These alternative methods of banking offer customers flexibility, convenience and 24 hour access to banking services. The efficiency and seamless delivery of services through these channels impact on the customer experience. According to Calisir and Gumussoy (2008), the development of alternative banking service delivery channels is key to retaining the existing customers as well as attracting new ones.

Banks generate revenues by charging fees for services such as credit, transaction, savings and investment account. The prices and quality of services, distribution technologies and volumes of the customers served are the major elements of competition in the industry. The fees charged by banks influence the consumer's decisions and are the major consideration in the choice of a bank. Van Heerden and van der Westhuizen (2008) find that the retail banking customers have experienced relatively large increases in bank services fees over the last ten years.

Retail banks offer customers a variety of products and services. These offerings can be classified under three primary activities; taking deposits, issuing loans and investing in securities (Kablan, 2009). Due to increased competition among banks and non-bank financial services, these products and services have become commoditised (Devlin & Gerrard, 2004; Haenlein, Kaplan & Beeser, 2007). New innovations and products are easy to replicate and differentiating solely on the basis of product offerings and price in the marketplace no longer give competitive advantage.

The retail banking consumers have evolved; they have become more and more sophisticated and demanding (Arbore & Busacca, 2009). These consumers demand a wide range of suitable banking products and services. They differ in their sensitivity to price, preference for distribution technology and average distance from the retail bank. The retail banking consumers evaluate financial products on price, convenience and quality (Byers & Lederer, 2001). Their changing behaviour and attitudes make it easy for them to switch banks if they are dissatisfied. As a result, consumer switching has become a major concern throughout the financial services sector, particularly in the mortgage market (Dougan, 2004). The customer complaints are often accompanied by a rise in the number of those who switch to the other service providers.

2.3 The antecedents of customer experience

Drawing from the conceptual framework (Gentile et al. 2007), which identifies six dimensions (sensorial, emotional, cognitive, pragmatic, lifestyle & relational) of customer experience, and building on the model proposed by Verhoef et al. (2009), the empirical study is undertaken to investigate the impact of the following antecedents of customer experience in the retail banking environment.

2.3.1 Social Environment

Research has shown that the consumer's perceptions about the product or service can be influenced by people and groups they associate with White and Dahl (2007) demonstrate that the desire to avoid certain groups of people can influence consumer evaluations and choices. To emphasise the influence of social environment on the consumer's preference and choice, Berger and Heath (2007) argue that people often diverge from their internal drives to ensure that others make desired identity inferences about them. The need to identify with others and conform to their expectations contributes to the consumer's decision-making process within the social setting. Wooten and Reed II (2004) argue that people who value approval but lack confidence in their abilities to discern or enact desired impressions often protect themselves from losses of approval by avoiding undesired, contestable, or even noticeable impressions.

The studies above suggest that the social environment can have a considerable impact on the customer experience, which leads to the first hypothesis.

H1: The social environment as perceived by the customer is positively associated with the customer experience in retail banking.

2.3.2 Service Encounter (Interaction)

Service encounters involve social interaction between the customer and the service provider. For the service provider, such an encounter represents a moment of truth. According to Czepiel (1990) the success of the business depends on the functional and social performance of the service provider's interactions with the customer.

Over time service encounters can develop into a close social relationship which ultimately can lead to a psychological loyalty between the customer and the service provider. Reynolds and Beatty (1999) examine the nature of a relationship between a consumer and service provider and the role that relationship plays in enhancing the service experience. Accordingly the second hypothesis is as follows:

H2: The retail bank service encounter as perceived by the customer is positively associated with the customer experience.

2.3.3 Atmosphere

The spending behaviour of the consumer can be significantly influenced by the store atmosphere (Kamaladevi, 2010). Store atmospherics are increasingly considered as a means of creating a pleasurable consumption experience for the consumer. The nicer retail environments and prestigious ambience environment can lead to an increase in the perceived level of credibility towards a service provider and subsequently a higher likelihood to purchase.

Baker, Parasuraman, Grewal and Voss (2002) argue that the store's environmental dimensions (design, social and ambient) influence consumers' perceptions of store choice. These perceptions refer to inferences about the levels of quality, price and the value that consumers

would expect in a store on the basis of store environment cues. Bitner (1992) states that the physical setting can be used as a way in which customers can be attracted to and/or satisfied by a firm's services. He demonstrates how the physical setting of a service firm can aid or hinder the accomplishment of both internal organisational goals and external marketing goals. This leads on to the third hypothesis:

H3: The retail bank atmosphere as perceived by the customer is positively associated with the customer experience.

2.3.4 Service Offering

Services are designed to meet the customer's needs by appropriately integrating the company's investments in physical assets, processes, people skills and materials. (Kamaladevi, 2010) defines customer service as the ability of an organisation to constantly and consistently give the customers what they want and need.

According to Goldstein, Johnston, Duffy and Rao (2002) the concept of service involves:

- service operation: the way in which the service is delivered;
- service experience: the customer's direct experience of the service;
- service outcome: the benefits and results of the service for the customer and
- value of the service: the benefits the customer perceives as inherent in the service weighed against the cost of the service.

Hume et al. (2006) argue that the service experience is created through a series of encounters and interactions between the provider and the consumer, and that the extent to which these encounters are consistent with

the customers' wants and needs relate to the value, customer satisfaction and the quality of service. It is against this background that the fourth hypothesis is as follows:

H4: The retail bank service offering as perceived by the customer is positively associated with the customer experience.

2.3.5 Price (Cost structure)

The consumer's perception of price, quality and value of an offering plays a significant role in influencing shopping behaviour and product choice. Zeithaml (1988), defines price from a consumer's perspective as that which is given up or sacrificed to obtain a product. For the seller, a price captures the value created and earns revenue. According to Grewal et al. (2009), if the price of a product or service is too high, consumers may view it as poor value for money and will not buy. On the other hand, if the price is set too low consumers may perceive the product or service to be of poor quality, standard or other negative attributes and may not buy it either. Rao and Monroe (1989) suggest that for consumer products, there is a significant correlation between price and perceived quality and value of an offering. Based on the influence of price on consumer's perceptions concerning the intrinsic and extrinsic attributes of the offering, the fifth hypothesis is as follows:

H5: The retail banking cost structure as perceived by the customer is positively associated with the customer experience.

2.3.6 Brand

Brands and branding play an important role in the organisation and an increasing number of firms recognise brands as their most valuable assets. According to Kimpakorn and Tocquer (2007) the concept of brand has its

roots in the consumer field and is often defined from a customer's perspective. Kimpakorn and Tocquer (2007) define a brand as a collection of associations in the mind of a customer which are connected to a brand or a symbol. The brand equity therefore, is determined by the value, uniqueness and the power of these associations.

Merz, He and Vargo (2009), however, in examining the evolution of the meanings of brand and branding over the years, find that the brand meanings converge on a new conceptual logic which views brand in terms of collaborative, value co-creation activities of firms and all of their stakeholders, and brand value in terms of the stakeholders' collectively perceived value-in-use. Berry (2000) makes a distinction between brand awareness and brand meaning and describes brand awareness as the customer's ability to recognise and recall the brand when provided a cue, whilst brand meaning represents the customer's dominant perceptions of the brand. Research has shown that customers' perceptions about the brand influence their behaviour and evaluations of the value, quality and performance. According to Verhoef et al. (2009) customer experience may also be influenced by these consumers' perceptions. The sixth hypothesis is as follows:

H6: The retail bank brand as perceived by the customer is positively associated with the customer experience.

2.3.7 Electronic Channels (ATMs, Internet banking etc.)

The advances in telecommunication, information technology and the online technology and security have brought about new opportunities and possibilities for both the sellers and buyers of goods and services. Online retailing, as a way of doing business, enables retailers to attract consumers who demand efficient use of their time and are less interested in traditional

retailing. From the consumers' perspective, online retailing offers convenience and transcends the limitation of time and space.

Eroglu, Machleit and Davis (2001) examine the potential influence of atmospheric qualities of a virtual store and find that the atmospheric cues of the online store influence the outcomes of online retailing in terms of approach/avoidance behaviour through the intervening effects of affective and cognitive states. Wang, Baker, Wagner and Wakefield (2007) look at the social aspect of the retail website and find that social cues induce perceptions of website socialness, leading to increased pleasure and stimulation that positively influence flow, hedonic and utilitarian value as well as patronage intentions. Their findings suggest that there is a competitive advantage for online retailers that use social cues that provide consumers with enhanced perceptions of human connection and the formation of emotional bonds. This leads on to the seventh hypothesis:

H7: The electronic channels as perceived by the customer are positively associated with the customer experience in retail banking.

2.3.8 Past Customer Experience

The consumer's past experiences and interactions with a retailer or service provider create an image and perceptions which influence consumers' attitudes and behaviour towards the store. According to Osman (2001) the customer's perception and attitude towards the store may be as a result of consumer's evaluation of the perceived important aspects of the store, moulded and remoulded by his/her direct experiences with the store's overall milieu. Woodruff, Cadotte and Jenkins (1983) point out that a consumer's beliefs about the brand are derived from personal use experience and that the nature and amount of a consumer's experience with an evoked set of brands are important determinants of the satisfaction process.

Verhoef et al. (2009) believe that a customer experience is not limited to the customer's interaction in the store alone, but is impacted by a combination of experiences which evolve over time and may involve multiple retail channels and repeated experiences within a channel. The eighth hypothesis is thus:

H8: The past experiences and interactions in retail banking are positively associated with the customer experience.

2.3.9 Black Economic Empowerment – BEE

In order to understand the concept of BEE, we need to first explore the word “empowerment”. According to Scheyvens (2009) empowerment refers to the activation of the confidence and capabilities of previously disadvantaged or disenfranchised individuals or groups so that they can exert greater control over their lives, mobilise resources to meet their needs, and work to achieve social justice. Empowerment can be perceived as a facilitator for the attainment of rights and as central to the creation of participatory democracy, with emphasis on the role of self-organising (McEwan & Bek, 2006). It thus creates an enabling environment and instils confidence in individuals to participate and contribute meaningfully towards their growth and development.

BEE, however, seeks to redress the socio-economic disparities of the past and promote economic transformation in South Africa, by providing economic opportunities, previously not available, to Africans, Coloureds and Indians. This was to be achieved through a BEE legislative framework which includes employment equity, skills development, ownership, management, socio-economic development and preferential procurement (Broad-Based Economic Empowerment Act, 2003). It can be defined as the process by which previously disadvantaged South Africans are being empowered

through the transfer of skills, ownership, management and control of companies.

The critics argue that BEE has only benefited a few Blacks. These are high-profile and politically well-connected individuals instead of the majority of the previously disadvantaged (Tangri & Southhall, 2008). The impression was created that all previously disadvantaged individuals would benefit from BEE; however, it was the political elite who have reaped the most benefits. Unlike the approaches adopted by Malaysia and Singapore (Ritchie, 2005) in redressing the economical imbalances among members of the society, the BEE is largely considered as a “failure” by the critics.

According to Ponte, Roberts and Van Sittert (2007) there has been a vibrant media debate on the process of BEE in South Africa; however, little academic analysis of the concept has been carried out thus far. They argue that there is disconnect between BEE and the broader economic policy in South Africa. This, according to Tangri and Southall (2008), is caused by the difficulty to reconcile the competing government goals of equitable redistribution of wealth and rapid economic growth and corporate investment.

According to the Banking Association of South Africa (2010), “The Financial Sector Charter (FSC) of 2003, a voluntary transformation charter in terms of the Broad-Based Black Economic Empowerment (BBBEE) Act committed the industry to actively promote a transformed, vibrant and globally competitive financial sector that reflects the demographics of South Africa, and contributes to the establishment of an equitable society, by effectively providing accessible financial services to Black people and by directing investment into targeted sectors of the economy”.

It is against this background that the financial institutions recognise the importance of aligning their long-term vision and strategies with the

economic imperatives of bringing the majority of Black South Africans into the mainstream economy. ABSA bank has appointed a high level committee consisting of non-executive directors to look into issues of BEE related to human resources as well as Financial Services Council's scoring and other BEE scoring (ABSA, 2009). FirstRand Group on the other hand, prides itself with the group's contribution to socio-economic transformation and BEE (FirstRand, 2009). FirstRand Group has committed to complying with the Department of Trade and Industry code of good practice on BBBEE and regards transformation as a critical business imperative. Nedbank's broad transformation strategy was implemented in 2005. Through the Eyethu employee schemes, the bank allocates shares and share options to its Black staff members (Nedbank, 2009). Standard Bank are proud to have reached level three contributor in a nine-level model of the BBBEE (Standard Bank, 2009).

In spite of the progress made, particularly in the retail banking sector, with regard to BEE, many people still believe that BEE has only benefited the few individuals who are politically connected to the ruling party. This leads on to the ninth and last hypothesis:

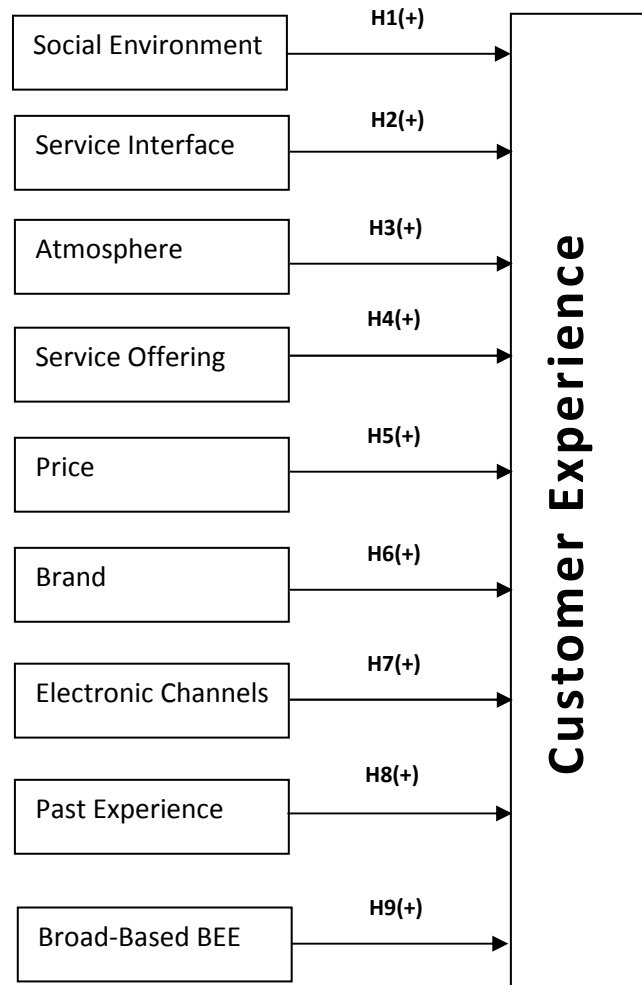
H9: BEE as perceived by the customer is positively associated with the customer experience in retail banking.

CHAPTER THREE- **Research hypotheses and conceptual model**

In view of the above literature review, the objectives of this study are operationalised in the following hypotheses:

- H1:** The social environment as perceived by the customer is positively associated with the customer experience in retail banking.
- H2:** The retail bank service encounter as perceived by the customer is positively associated with the customer experience.
- H3:** The retail bank atmosphere as perceived by the customer is positively associated with the customer experience.
- H4:** The retail bank service offering as perceived by the customer is positively associated with the customer experience.
- H5:** The retail banking cost structure as perceived by the customer is positively associated with the customer experience.
- H6:** The retail bank brand as perceived by the customer is positively associated with the customer experience.
- H7:** The electronic channels as perceived by the customer are positively associated with the customer experience in retail banking.
- H8:** The past experiences and interactions in retail banking are positively associated with the customer experience.
- H9:** BEE as perceived by the customer is positively associated with the customer experience in retail banking.

Figure 1: A conceptual model of hypotheses and their relationship with the customer experience



CHAPTER FOUR - **Research methodology**

In order to achieve the objectives of this research, a quantitative method of a descriptive nature using a web-based survey questionnaire was used to collect the primary data from the target population. The Internet was chosen to conduct this research because of its low cost, high-speed of response, no interviewer bias and data entry errors as well as an unlimited geographical scope. The quantitative method used was found to be the most appropriate for the purpose of this study.

4.1 Unit of analysis

The unit of analysis is the perception of customer experience in retail banking.

4.2 Population of relevance

Zikmund (2003, p.369), defines a population or universe as any complete group of people or the like that share some set of characteristics. The population of relevance contains all members about which a study intends to make inferences (Albright, Winston & Zappe, 2009). In this study the population of relevance is any person who uses banking facilities and holds a bank account with any of the South African retail banks.

4.3 Sampling frame

The sampling frame in the study comprised of a list of names of all the employees of the Airports Company of South Africa who are in the company's e-mail network database and have access to the Internet. These employees were based at various airports within the company's network of ten domestic and international airports spread across the nine provinces of the country. The sample was diverse and representative of the broader society of South Africa. The employees used banking services and held bank accounts with retail banks wherein their salaries

were paid. The sampling frame excluded all those employees who were not on the e-mailing list but held accounts and used banking services.

4.4 Sampling method and size

The saturation sampling method was selected and the online survey questionnaire was sent to all the 1043 employees on the company's e-mail distribution list. The saturation surveying was chosen because it was cost effective, readily accessible electronically and resolved the problems of unreliable sampling frame. According to Chipp, Goldman and Kleyn (2007), saturation sampling also eliminates the need to make the decision to either sample probabilistically or not. The advantages of saturation sampling are however without challenges. The non-response bias, non-coverage bias and self-selection bias were found to be some of the disadvantages of the saturation surveying (Chipp et al., 2007).

4.5 Data collection method

The closed web e-mail survey with a URL link attachment was distributed to all the respondents on the e-mail list of the Airports Company of South Africa. The permission to conduct a research using the company's employees as respondents was granted by the senior management. The company employees were selected for this study for two main reasons. Firstly, the e-mail list was readily available and accessible electronically, and secondly, the respondents were scattered throughout the country and not based in one province. The questionnaire was pre-tested and sent to 1043 employees listed on the company's e-mail network. The survey was conducted over a period of three weeks and a weekly follow up reminder e-mails were sent to all the respondents. From the 1043 questionnaires emailed, 127 bounced and 122 responses were returned. However, due to missing data on some responses, only 115 responses were considered valid and used in this study, thus yielding a 12.55% response rate excluding bounced e-mails.

4.5.1 Pre-testing

The research instrument was pre-tested using eight of the researcher's colleagues within the mechanical department. The purpose of pre-testing the survey instrument was to ensure that the respondents had no difficulties in understanding the questions and that there were no ambiguous or biased questions. The participants were asked to complete the questionnaires, their responses were checked and they were asked to provide feedback on what they thought about the survey. Some of respondents thought the questionnaire was too long and the settings were adjusted to allow for the flexibility to save and resume the questionnaire without losing initial data provided.

4.6 Research instrument

A survey questionnaire was developed containing a 40-item measure of dimensions of customer experience as shown in Table 1. The questionnaire was designed to generate a wide range of data about the consumers' banking habits and perceptions about their banking experiences as well as details of their demographics. The measurement for *service interaction*, *bank atmosphere*, *brand* and *past experience* dimensions consisted of 16 previously validated scale items for the banking environment developed by Saunders and Petzer (2010). The measurement for *electronic channel* dimension consisted of five previously validated scale items for retail banking services from a study by Karatepe, Yavas and Babakus (2005). For the *social environment* dimension, four previously validated scale items developed by Stahl, Rutten, Nutbeam, Bauman, Kannas, Abel, Luschen, Diaz, Rodriguez, Vinck and van der Zee (2001) were used. The *service offering* and *price* dimensions were measured using ten previously validated scale items for the retail banking environment developed by Lewis and Soureli (2006). The measurement for *black economic empowerment* dimension

consisted of five previously validated scale items developed by Janssens, Sefoko, van Rooyen and Bostyn (2006).

All these items were measured on a 7-point Likert scale, fully anchored by 'strongly disagree' at one end to 'strongly agree' at the other (Zikmund, 2003). Three questions on the overall perceptions of customer experience at the bank were added and pre-tested before the survey questionnaire was e-mailed to the respondents. Additional data about the respondents' banking habits were measured using validated scale items developed by Brown and Buys (2005). Moreover, the respondents were categorised using validated scale items developed by Chipunza (2008).

4.7 Data analysis approach

The data analysis in this study was carried out in three stages. In the first stage the descriptive statistics analysis was performed in order to summarise and describe the characteristics of data collected. According to Fisher and Marshall (2009) descriptive statistics are the numerical procedures or graphical techniques used to organise and describe the characteristics of a given sample.

The characteristics of data collected was demonstrated by summarising the demographic profile of the respondents in terms of gender, age, race, education, income and so on, as well as measures of central tendency and dispersion such as means and standard deviations of different variables. The objective of this analysis was to gain an insight about the trends in the demographics of banking customers and their perceptions about customer experiences.

The second stage involved the analysis of the survey instrument to assess its internal consistency and reliability. The item analysis method, popularly known as Cronbach's alpha, was used for this purpose. Kottner and Streiner (2010) define internal consistency as the degree to which all items of a test or instrument measure the same attribute or dimension.

The factor loadings on the correlation matrix of the scale items were analysed in order to establish the underlying and influential factors from the observed variables. This process made it possible to reduce the number of primary factors from nine to seven by eliminating items with lower factor loadings and combining the dimensions of service offering and electronic channels as well as brand and past experience items.

In the third and final stage, a multivariate analysis called 'simple correlation coefficient' was used to measure the associations and relationships between the variables of interest in this study. Zikmund (2003) defines the measure of association as statistical values designed to represent covariation between variables. The technique used for this purpose is a simple correlation coefficient referred to as Pearson's product-moment correlation coefficient.

4.7.1 Validity test

Validity is the ability of a scale or measuring instrument to measure what it is intended to measure (Zikmund, 2003). To establish the validity of a measure, research has identified four major approaches that can be applied. These are content validity, criterion validity, convergent/discriminant validity and construct validity (Ray, 2007). The factor analysis, which combines convergent and discriminant validity approaches was used in this study to check the validity of the survey instrument.

An exploratory factor analysis was performed to identify the underlying dimensions of the scale. To this end, a principle axis factoring method with a direct oblimin rotation was used to extract the initial factors. Items with a factor loading below 0.4 were excluded resulting in a seven factor solution. Items measuring past experience and brand were merged into one factor, and items measuring service offering and electronic channels were also merged into one factor. The seven factors extracted explained total variance

of 72.475% with Kaiser-Mayer-Olkin of 0.808 demonstrating sampling adequacy.

4.7.2 Reliability and internal consistency test

According to Bland and Altman (1997) items that are used to form a scale need to have internal consistency. All the items should measure the same thing and be correlated with one another. The Cronbach's alpha coefficient method was used for the assessment of the reliability and internal consistency of the measuring instrument. The Cronbach alpha will be 1 if the items are all the same and 0 if none is related to another. The accuracy of the scale is considered to be reliable and satisfactory when the alpha values of 0.7 to 0.8 have been achieved (Bland & Altman, 1997).

4.7.3 Measure of association

In order to assess the relationship between customer experience and its dimensions as identified in this study, the multivariate analysis technique called simple correlation analysis was employed. Zikmund (2003) defines simple correlation coefficient as a statistical measure of the covariation, or association, between two variables. This correlation coefficient, r , ranges from +1 to -1. If the value of r is -1, there is a perfect negative linear relationship, or a perfect positive linear relationship if the value of r is +1. The value $r = 0$ indicates that there is no correlation between the variables.

4.8 Research limitations

The limitations of this study are as follows:

- The primary data was collected from a saturated and non-probability sample frame consisting of a list of e-mail addresses of employees of a single organisation. This sample frame excluded people who were self-employed, owning businesses and unemployed but having a banking account with a bank.
- The survey questionnaire was Internet-based and excluded people who did not have an access to the internet.
- The online surveys in general tend to have lower response rates than the traditional methods of collecting data; this study was no exception.
- The results from this study cannot be generalised as being representative of all South Africans.
- The potential exists for non-response error being higher than estimated.

CHAPTER FIVE – Results

In this chapter the results of this study will be presented. Particular attention will be given to the response rate, non-response bias, descriptive and multivariate analysis of the data collected.

5.1 Response rate

The online survey questionnaire was distributed to all the 1043 employees listed on the e-mail network of the Airports Company of South Africa. This was a diverse group of people based at various airports located across the nine provinces of the country. A saturated sampling technique was used where e-mails were sent to everyone on the list. As can be seen in Table 1 below, a total of 127 e-mails bounced and were returned as undelivered. When the undelivered messages were excluded, the number of respondents e-mailed becomes 916. Of the 916 people who received communication, 122 responses were returned of which 115 were considered usable thus giving a response rate of 12.55%.

Table 1: Response rate

Sampling Frame	Respondents e-mailed	Undelivered e-mails	Responses Returned	Response Rate
Company's E-mail address list	1043	127	115	12.55%

The low response rate of 12.55% can be attributed to a number of factors. According to Roy and Berger (2005) and Sax, Gilmartin and Bryant (2003), web-based surveys tend to yield low response rates; amongst the reasons sighted for the declining response rates of web-based surveys are a proliferation of junk mail, the length of the survey as well as the individuals' concern for their privacy and the

confidentiality of their responses. Access to Internet can also limit the administration of an online survey where people may have access to e-mail without Internet access. Dennis (2003) argues that mail survey response rates not only are often low but also appear to be declining. According to Chipp and Ismail (2004) response rates for electronic survey in general fall between 4% -16%.

The sample size of 115 in this study was considered adequate. Gorsuch and Venable (1983), recommend a sample size of at least 100. According to MacCallum, Widaman, Zhang and Hong (1999) the sample size is less important where data are sufficiently 'strong.' Factors on Table 5, were sufficiently strong and exhibited high loadings(> 0.7) on a substantial number of items (at least three or four).

Shevlin and Miles (1998) argue that when data is 'strong', the impact of sample size is greatly reduced. This reduces the bias associated with working with a small sample size. Some authors also argue that all variables involved in the factor analysis need to be continuous and are assumed to be normally distributed. Most of the variables used in factor analysis had a normal distribution, with a few skewed to the right.

5.2 Non-response bias

Sax et al. (2003) define non-response bias as referring to the bias that exists when respondents to a survey are different from those who did not respond in terms of demographic or attitudinal variables. They argue that low response rates alone do not necessarily suggest bias. According to their definition, the non-response bias was reduced as no significant differences in the demographics and attitudes between the respondents and non-respondents in this study could be established.

To test whether there were any significant differences between the respondents and the non-respondents, the sample in this study was split into two sub-groups. The first group included all the respondents who responded immediately upon

receiving the questionnaire ($n = 52$), and the second group comprised of all the respondents who responded later on and following the first, second and third reminders ($n = 63$).

The chi-square analysis was performed to test for the differences in the two groups. According to (Zikmund, 2003) chi-square tests for the “goodness of fit” of the observed distribution with the expected distribution. The results on Table 2 below indicate that the null hypothesis that the two groups are the same could not be rejected at 0.05 statistical significant level.

Zikmund (2003) states that proper use of chi-square test requires that each expected cell frequency has a value of at least 5. In the analysis it was noted that approximately 20% of the cells had values less than 5. This indicates that a further analysis such as combining or collapsing response categories could be done. It was felt that this was not necessary for the purpose of this study.

Table 2: Chi-square analysis (excluding missing values)

Variable	Early Respondents Count	Late Respondents Count	Total Count	Chi Square	DF	Sig.	Reject H0 at alpha = 0.05
Q4.1 ATM	50	62	112	7.574	6	0.271	No
Q4.2 Banking Hall (Branch)	46	54	100	8.342	7	0.303	No
Q4.3 Cell phone banking	44	52	96	9.069	7	0.248	No
Q4.4 Internet Banking	46	56	102	7.279	7	0.400	No
Q4.5 Telephone Banking	45	53	98	5.434	5	0.365	No
<i>Service Interaction (five items)</i>							
Q5.1 The bank's staff treat me as an individual and not just as	50	62	112	10.450	7	0.164	No
Q5.2 I feel that the staff at the bank are competent and profe	49	61	110	8.117	7	0.322	No
Q5.3 I feel that the staff at the bank understand my needs	48	62	110	11.449	7	0.120	No
Q5.4 I always get personalised attention from the staff at the	48	61	109	6.670	7	0.464	No
Q5.5 I find it easy to discuss matters with staff at the bank	48	61	109	12.053	7	0.099	No
<i>Bank Atmosphere (five items)</i>							
Q6.1 The furniture at the bank is comfortable (eg chairs, cour	49	61	110	10.734	7	0.151	No
Q6.2 I like the layout of the bank	47	61	108	4.794	7	0.685	No
Q6.3 The bank looks attractive	48	61	109	4.509	7	0.720	No
Q6.4 I like the interior decoration at the bank	48	60	108	11.392	6	0.077	No
Q6.5 The design of the bank is customer friendly	48	60	108	2.760	6	0.838	No

Variable	Early Respondents Count	Late Respondents Count	Total Count	Chi Square	DF	Sig.	Reject H0 at alpha = 0.05
<i>Service Offering (five items)</i>							
Q7.1 The bank offers innovative products and services	49	61	110	4.347	6	0.630	No
Q7.2 The bank keeps me constantly informed	48	61	109	13.597	7	0.059	No
Q7.3 The bank has up-to-date facilities and equipment	48	61	109	3.470	5	0.628	No
Q7.4 The bank offers alternative channels of transactions	48	61	109	4.812	7	0.683	No
Q7.5 The bank gives me individual attention	48	61	109	9.351	7	0.228	No
<i>Social Environment (four items)</i>							
Q8.1 My family do business with this bank	49	62	111	2.918	7	0.893	No
Q8.2 My friends do business with this bank	48	62	110	7.599	7	0.369	No
Q8.3 My colleagues do business with this bank	48	61	109	10.495	7	0.162	No
Q8.4 My acquaintances do business with this bank	47	62	109	1.975	7	0.961	No
<i>Price (five items)</i>							
Q9.1 The bank communicates price changes properly and tim	49	62	111	5.849	7	0.557	No
Q9.2 My bank keeps all promises regarding prices	48	61	109	3.382	7	0.848	No
Q9.3 The offers the best deposit interest rates	48	61	109	9.356	7	0.228	No
Q9.4 The bank offers the best loan interest rates	48	61	109	5.682	7	0.577	No
Q9.5 My bank does not take advantage of me	47	62	109	7.485	7	0.380	No

Table 2: Continued (excluding missing values)

Variable	Early Respondents Count	Late Respondents Count	Total Count	Chi Square	DF	Sig.	Reject H0 at alpha = 0.05
<i>Brand (five items)</i>							
Q10.1 My feelings about the bank are very positive	48	62	110	5.618	7	0.585	No
Q10.2 I feel good about banking at this bank	46	62	108	7.755	7	0.355	No
Q10.3 I feel satisfied with the outcomes from banking with th	47	62	109	4.044	7	0.775	No
Q10.4 The bank has a good reputation	47	62	109	1.929	5	0.859	No
Q10.5 The bank is contributing positively to society	47	62	109	5.300	7	0.623	No
<i>Electronic channels (five items)</i>							
Q11.1 The ATMs of this bank are technologically well-equippe	49	61	110	6.735	6	0.346	No
Q11.2 The computer systems in this bank functions properly	48	61	109	1.626	6	0.951	No
Q11.3 The internet banking services of this bank are efficient,	48	57	105	7.888	6	0.246	No
Q11.4 There are adequate number of ATMs at this bank	48	60	108	5.306	7	0.623	No
Q11.5 The telephone banking services of this bank are efficier	48	55	103	6.787	6	0.341	No
<i>Past Experience (four items)</i>							
Q12.1 I am satisfied with the services given to me in the past	49	60	109	1.743	7	0.973	No
Q12.2 Banking with this bank has increased my chances of im	47	61	108	4.900	7	0.672	No
Q12.3 I believe my finances have improved as a result of bank	49	61	110	4.124	7	0.765	No
Q12.4 I feel banking with this bank has been a worthwhile exp	49	61	110	7.081	7	0.421	No

Table 2: Continued (excluding missing values)

Variable	Early Respondents Count	Late Respondents Count	Total Count	Chi Square	DF	Sig.	Reject H0 at alpha = 0.05
<i>Black Economic Empowerment - BEE (five items)</i>							
Q13.1 I feel there are more and more black managers and dir	49	61	110	10.951	7	0.141	No
Q13.2 I feel the middle and senior managers at this bank repr	46	61	107	10.122	7	0.182	No
Q13.3 It is possible for me to buy shares of this bank	47	59	106	4.573	7	0.712	No
Q13.4 I can easily open an account at this bank	48	60	108	5.978	5	0.308	No
Q13.5 When applying for credit, the bank offers me fair condi	48	59	107	16.072	7	.024*	Yes
<i>Overall Customer Experience (three items)</i>							
Q14.1 Overall perception of my experience at the bank is pos	49	60	109	1.700	5	0.889	No
Q14.2 I feel the bank offers me more than just products and s	48	61	109	6.455	7	0.488	No
Q14.3 I am delighted about doing business with this bank	48	61	109	4.474	7	0.724	No
<i>Loyalty (five items)</i>							
Q15.1 I would highly recommend the bank to my friends and	49	60	109	10.843	7	0.146	No
Q15.2 I am likely to make positive comments about the bank	48	60	108	6.342	7	0.500	No
Q15.3 In the near future, I intend to use more of the services	48	59	107	5.535	7	0.595	No
Q15.4 If a competing bank were to offer better services, I woi	49	61	110	5.223	7	0.633	No
Q15.5 As long as I live in this area, I do not foresee myself swi	48	61	109	3.757	7	0.807	No

Table 2: Continued (excluding missing values)

5.3 Respondents demographic profile

As can be seen in Table 3 below, 48.2% of the respondents were male and 51.8% females. The majority were Black (48.7%), followed by Whites (24.8%), Indians (15%) and Coloured (11.5%). Most of the respondents were between the ages of 41 – 50 (33.9%), and 25.9% were between the ages of 18 – 30 and 31 – 40. The majority had diploma/certificate (46.8%) and 28.8% had degree/honours education. Most of them (32.1%) earned more than R20 000 a month. The majority of respondents were from Gauteng (42.5%), followed by Western Cape (31%) and Kwa-Zulu Natal (12.4%) with the rest of the provinces represented by the (14.2%) of the sample. In terms of the bank of choice, the majority of the respondents (37.9%) banked with ABSA, with FNB (25%), Standard bank (20.7%), Nedbank (9.5%) and other banks (6.9%) following behind. Most of the respondents (61.7%) claimed to have changed banks in the past in search for better services.

Table 3: Respondents demographic profile (excluding missing values)

	Count	Percent (%)
Gender		
Male	54	48.2
Female	58	51.8
Age		
18 - 30	29	25.9
31 - 40	29	25.9
41 - 50	38	33.9
51+	16	14.3
Race		
Black	55	48.7
Coloured	13	11.5
Indian	17	15.0
White	28	24.8
Education		
High School	7	6.3
Matric Certificate	13	11.7
Diploma/Certificate	52	46.8
Degree/Honours	32	28.8
Masters Degree	7	6.3
Monthly Income		
2 000 - 4 000	1	0.9
4 001 - 7 000	22	19.6
7 001 - 10 000	13	11.6
10 001 - 15 000	22	19.6
15 001 - 20 000	18	16.1
20 000+	36	32.1
Province		
Eastern Cape	8	7.1
Free State	5	4.4
Gauteng	48	42.5
Kwa-Zulu Natal	14	12.4
Limpopo	1	0.9
Mpumalanga	0	0.0
Northern Cape	1	0.9
North West	1	0.9
Western Cape	35	31.0

	Count	Percent (%)
Main bank		
ABSA	44	37.9
FNB	29	25.0
Nedbank	11	9.5
Standard Bank	24	20.7
Other Banks	8	6.9
Changed banks		
No	44	38.3
Yes	71	61.7

Table 3: Continued (excluding missing values)

5.4 Mean scores

The mean scores per question were calculated per subsection of the questionnaire and are reported in Table 4 below. These questions were scored on a scale from 1 (Strongly disagree) to 7 (Strongly agree).

Table 4: Means, standard deviations & min-max (excluding missing values)

	Count	Mean	Standard Deviation	Min	Max
Q4.1 ATM	115	5.50	1.381	2	7
Q4.2 Banking Hall (Branch)	103	3.13	1.412	1	7
Q4.3 Cell phone banking	99	2.17	2.030	1	7
Q4.4 Internet Banking	105	4.00	2.585	1	7
Q4.5 Telephone Banking	101	1.25	0.750	1	5
<i>Service Interaction (five items)</i>					
Q5.1 The bank's staff treat me as an individual and not just as a number	115	4.47	1.563	1	7
Q5.2 I feel that the staff at the bank are competent and professional	113	5.16	1.236	1	7
Q5.3 I feel that the staff at the bank understand my needs	113	4.72	1.491	1	7
Q5.4 I always get personalised attention from the staff at the bank	112	4.35	1.637	1	7
Q5.5 I find it easy to discuss matters with staff at the bank	112	4.45	1.576	1	7
		4.63			

	Count	Mean	Standard Deviation	Min	Max
<i>Bank Atmosphere (five items)</i>					
Q6.1 The furniture at the bank is comfortable (eg chairs, counters & booths etc)	113	5.12	1.337	1	7
Q6.2 I like the layout of the bank	111	5.13	1.349	1	7
Q6.3 The bank looks attractive	112	5.15	1.202	1	7
Q6.4 I like the interior decoration at the bank	111	5.06	1.302	2	7
Q6.5 The design of the bank is customer friendly	111	<u>4.95</u>	1.351	2	7
		5.08			
<i>Service Offering (five items)</i>					
Q7.1 The bank offers innovative products and services	113	5.06	1.205	2	7
Q7.2 The bank keeps me constantly informed	112	4.79	1.619	1	7
Q7.3 The bank has up-to-date facilities and equipment	112	5.28	1.141	3	7
Q7.4 The bank offers alternative channels of transactions	112	5.57	1.160	1	7
Q7.5 The bank gives me individual attention	112	<u>4.50</u>	1.583	1	7
		5.04			
<i>Social Environment (four items)</i>					
Q8.1 My family do business with this bank	114	4.29	1.981	1	7
Q8.2 My friends do business with this bank	113	4.50	1.553	1	7
Q8.3 My colleagues do business with this bank	112	4.58	1.431	1	7
Q8.4 My acquaintances do business with this bank	112	<u>4.40</u>	1.391	1	7
		4.44			
<i>Price (five items)</i>					
Q9.1 The bank communicates price changes properly and timeously	114	4.41	1.718	1	7
Q9.2 My bank keeps all promises regarding prices	112	4.46	1.476	1	7
Q9.3 The offers the best deposit interest rates	112	3.58	1.546	1	7
Q9.4 The bank offers the best loan interest rates	112	3.77	1.588	1	7
Q9.5 My bank does not take advantage of me	112	<u>4.20</u>	1.676	1	7
		4.08			
<i>Brand (five items)</i>					
Q10.1 My feelings about the bank are very positive	113	5.02	1.451	1	7
Q10.2 I feel good about banking at this bank	111	5.19	1.392	1	7
Q10.3 I feel satisfied with the outcomes from banking with this bank	112	4.91	1.504	1	7
Q10.4 The bank has a good reputation	112	5.45	1.130	3	7
Q10.5 The bank is contributing positively to society	112	<u>5.29</u>	1.271	1	7
		5.17			
<i>Electronic channels (five items)</i>					
Q11.1 The ATMs of this bank are technologically well-equipped	113	5.78	1.007	2	7
Q11.2 The computer systems in this bank functions properly	112	5.61	1.085	2	7
Q11.3 The internet banking services of this bank are efficient, reliable and secured	108	5.24	1.366	1	7
Q11.4 There are adequate number of ATMs at this bank	111	5.42	1.392	1	7
Q11.5 The telephone banking services of this bank are efficient, reliable and secured	106	<u>4.35</u>	1.069	1	7
		5.28			

Table 4: Continued (excluding missing values)

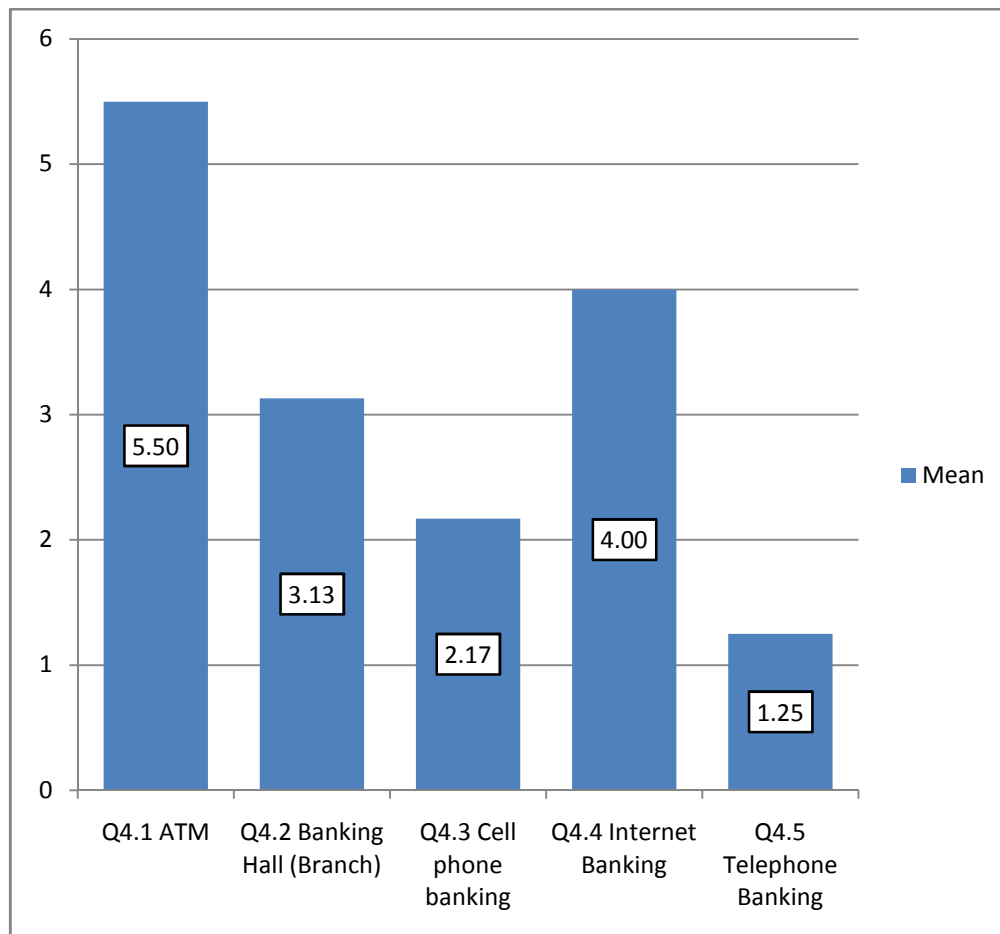
	Count	Mean	Standard Deviation	Min	Max
<i>Past Experience (four items)</i>					
Q12.1 I am satisfied with the services given to me in the past at this bank	112	5.21	1.415	1	7
Q12.2 Banking with this bank has increased my chances of improving my financial status	111	4.55	1.650	1	7
Q12.3 I believe my finances have improved as a result of banking with this bank	113	4.30	1.603	1	7
Q12.4 I feel banking with this bank has been a worthwhile experience	113	<u>4.96</u>	1.488	1	7
		4.76			
<i>Black Economic Empowerment - BEE (five items)</i>					
Q13.1 I feel there are more and more black managers and directors at this bank	113	4.19	1.286	1	7
Q13.2 I feel the middle and senior managers at this bank represent the demographics of South	110	4.24	1.241	1	7
Q13.3 It is possible for me to buy shares of this bank	109	4.19	1.337	1	7
Q13.4 I can easily open an account at this bank	111	5.54	1.118	2	7
Q13.5 When applying for credit, the bank offers me fair conditions	110	<u>4.69</u>	1.641	1	7
		4.57			
<i>Overall Customer Experience (three items)</i>					
Q14.1 Overall perception of my experience at the bank is positive	112	5.29	1.175	2	7
Q14.2 I feel the bank offers me more than just products and services, but a memorable experie	112	4.70	1.413	1	7
Q14.3 I am delighted about doing business with this bank	112	<u>4.95</u>	1.394	1	7
		4.88			
<i>Loyalty (five items)</i>					
Q15.1 I would highly recommend the bank to my friends and family	112	5.18	1.526	1	7
Q15.2 I am likely to make positive comments about the bank to my friends and relatives	111	5.13	1.532	1	7
Q15.3 In the near future, I intend to use more of the services offered by the bank	110	5.15	1.466	1	7
Q15.4 If a competing bank were to offer better services, I would switch	113	4.74	1.954	1	7
Q15.5 As long as I live in this area, I do not foresee myself switching to a different bank	112	<u>4.56</u>	1.902	1	7
		4.95			

Table 4: Continued (excluding missing values)

5.4.1 Bank channel

The respondents tended to use ATMs more often than any other banking channel, with a mean score of 5.5 on a scale from 1 (never) to 7 (to great extent). This was followed by Internet banking with an average just below 4 (sometimes), and banking halls with an average of around 3 which would mean that they are mostly used “occasionally” by respondents. Cellphone banking seems to be used rarely (mean of just over 2.0) while telephone banking seems to be almost never used.

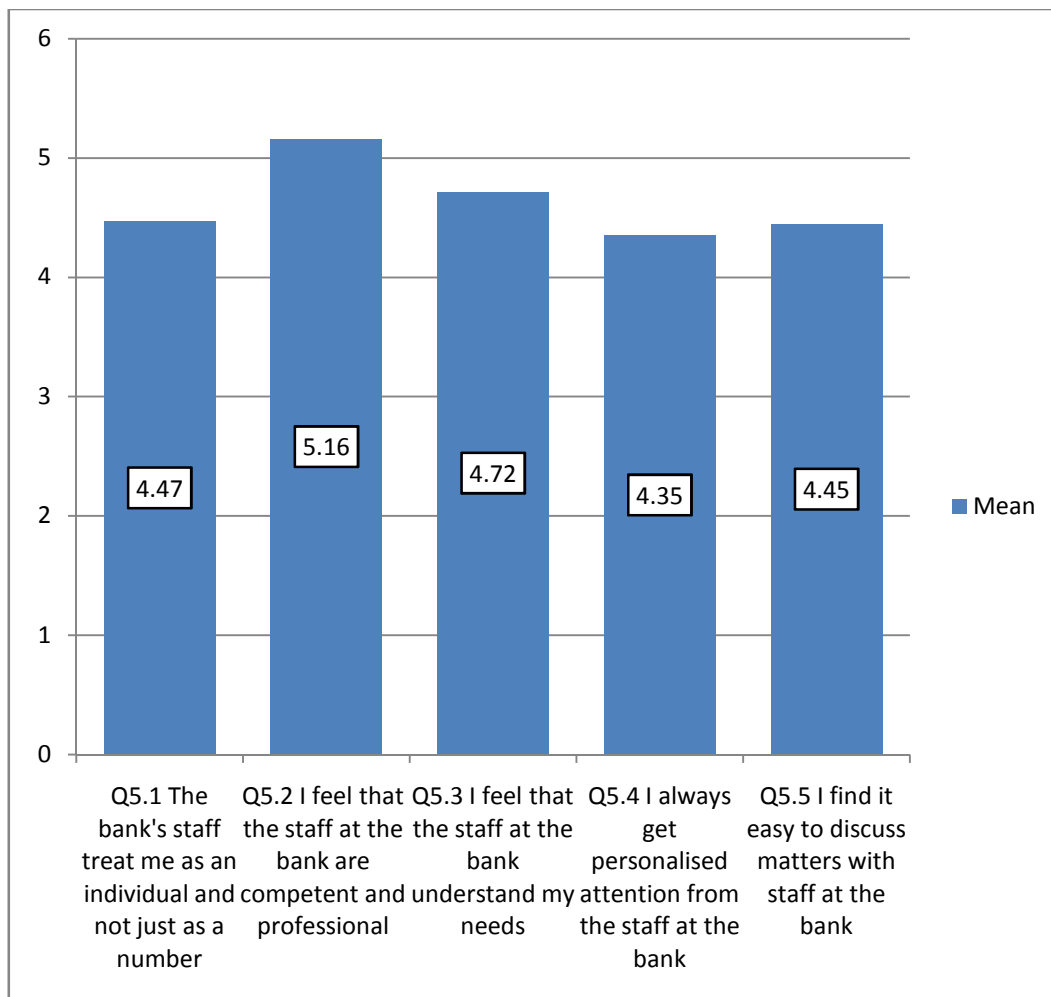
Figure 2: Banking channels



5.4.2 Service interaction

The mean scores for service interaction suggests that, on average, respondents tended to have fairly positive feelings towards these matters with all scores above 4 (the neutral point). The most positive aspect appeared to be the competence and professionalism of the bank.

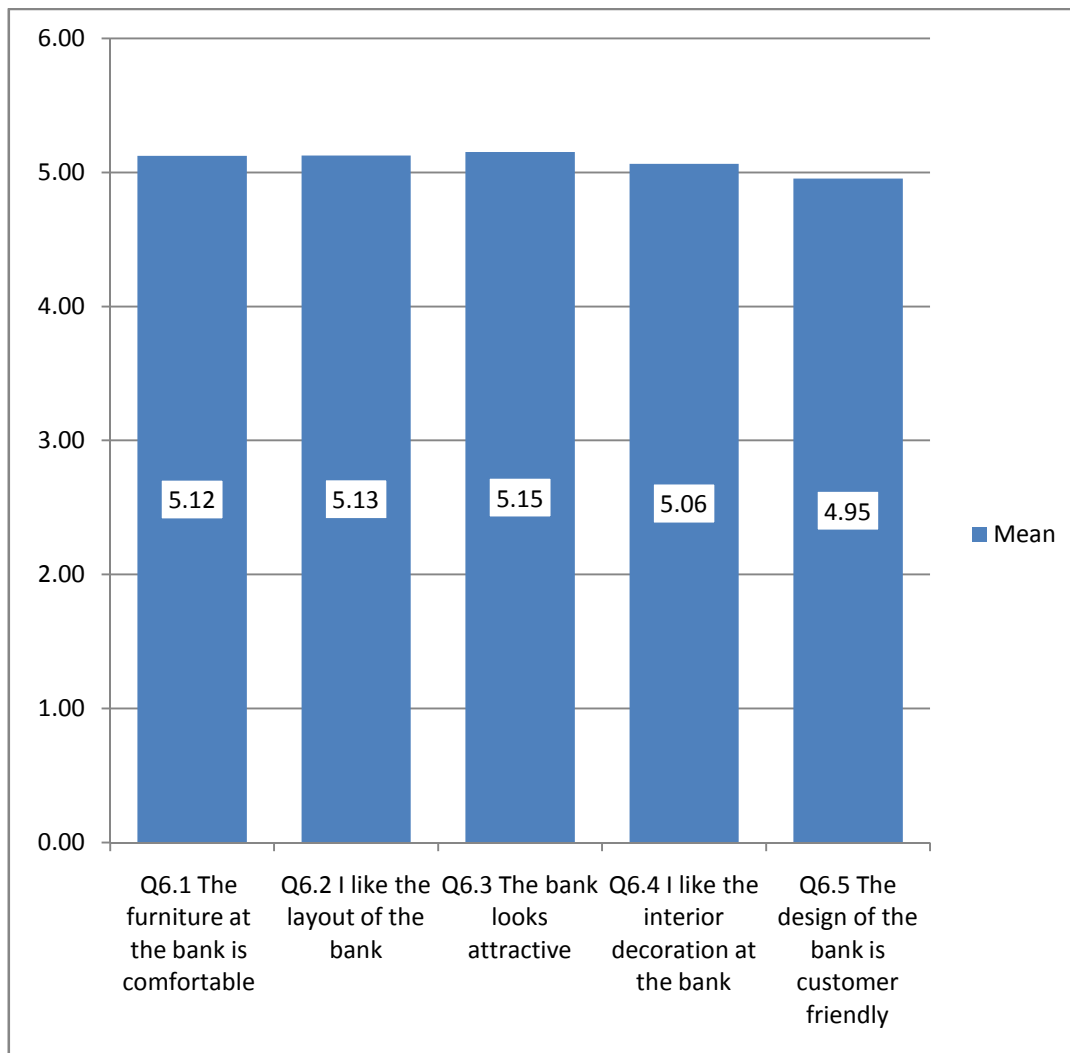
Figure 3: Service interaction mean scores



5.4.3 Bank atmosphere

Once again the mean scores suggest that, on average, respondents tended to have fairly positive feelings towards these matters within atmosphere, with little difference between the mean scores.

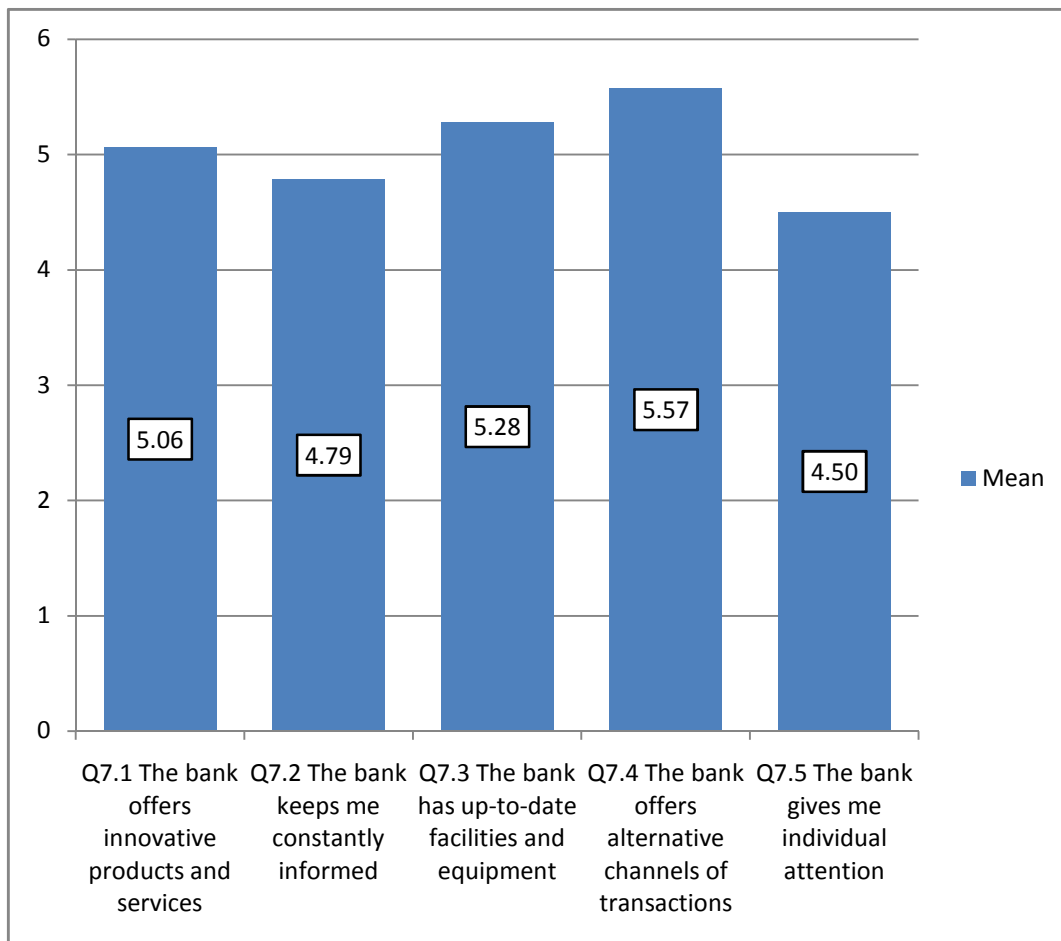
Figure 4: Bank atmosphere mean scores



5.4.4 Service offering

The mean scores for the services offering questions suggests that, on average, respondents tended to have a fairly positive attitude towards these matters with scores ranging from 4.50 to 5.57. The most positively rated aspects tended to be alternative channels of transactions and up-to-date facilities.

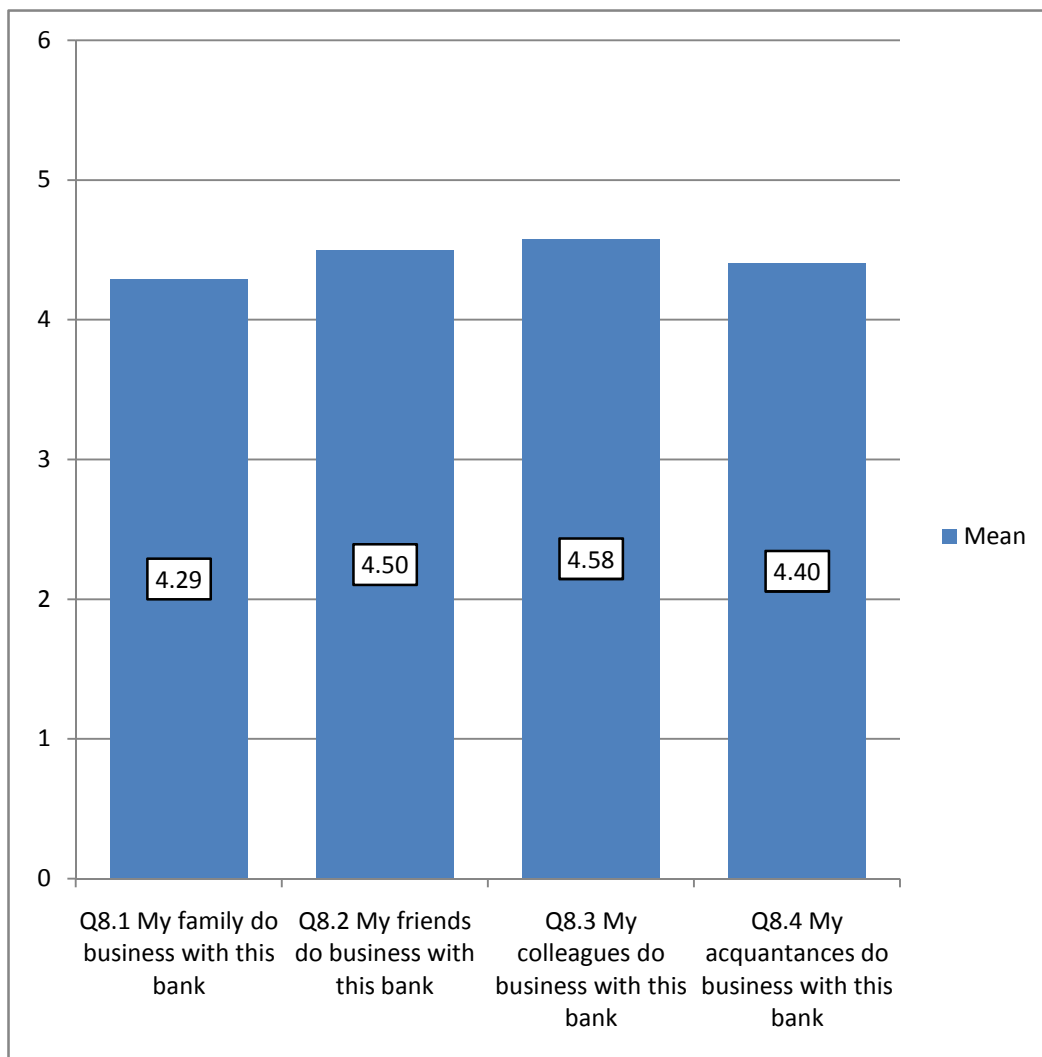
Figure 5: Service offering mean scores



5.4.5 Social environment

Mean scores tended to be somewhat lower on this scale, suggesting that the social environment is not as influential for respondents with regard to their choice of bank. Mean scores clustered around the “neutral” point.

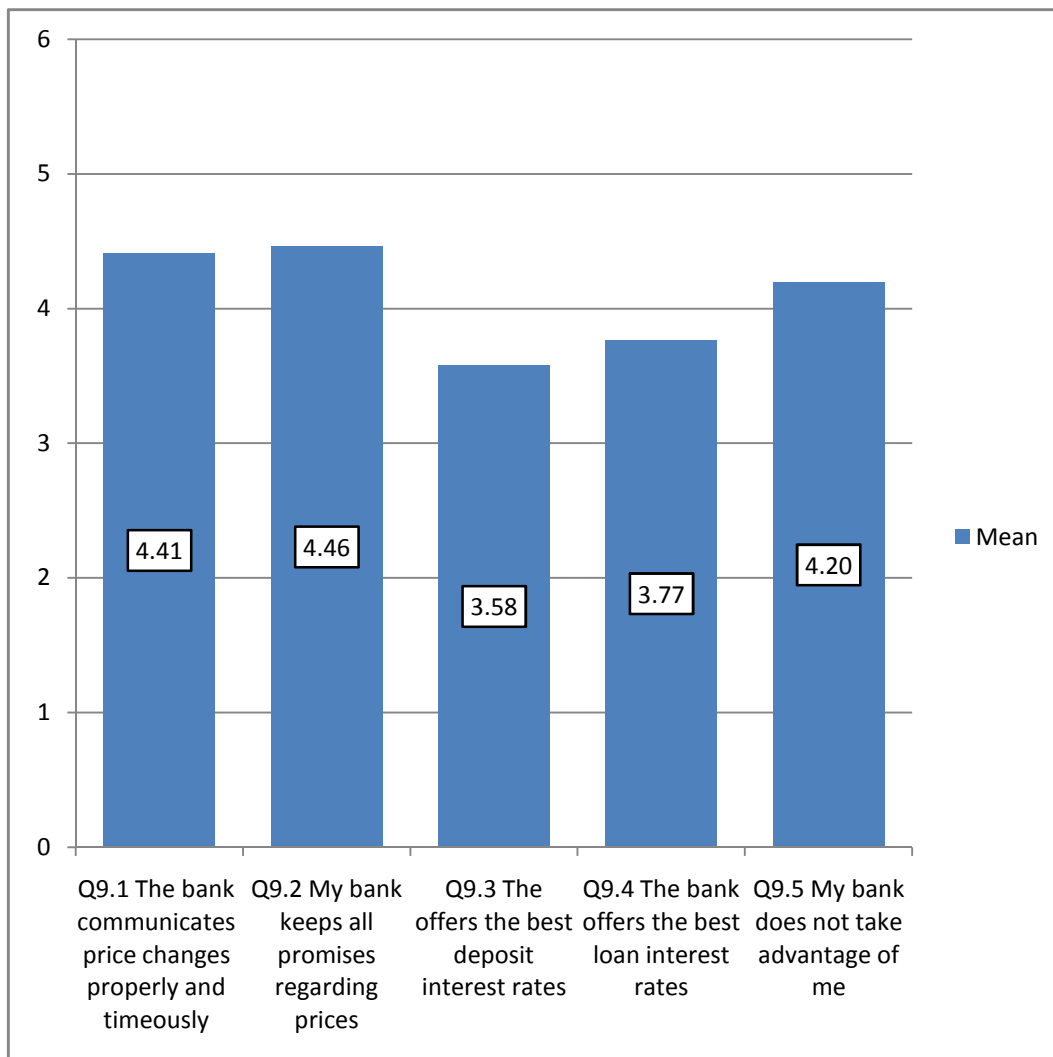
Figure 6: Social environment mean scores



5.4.6 Price

Once again mean scores tended to be somewhat lower on this scale, suggesting respondents were not particularly satisfied with the cost structures offered by their bank, with mean scores, especially on comparative interest rates being on the negative side of the scale.

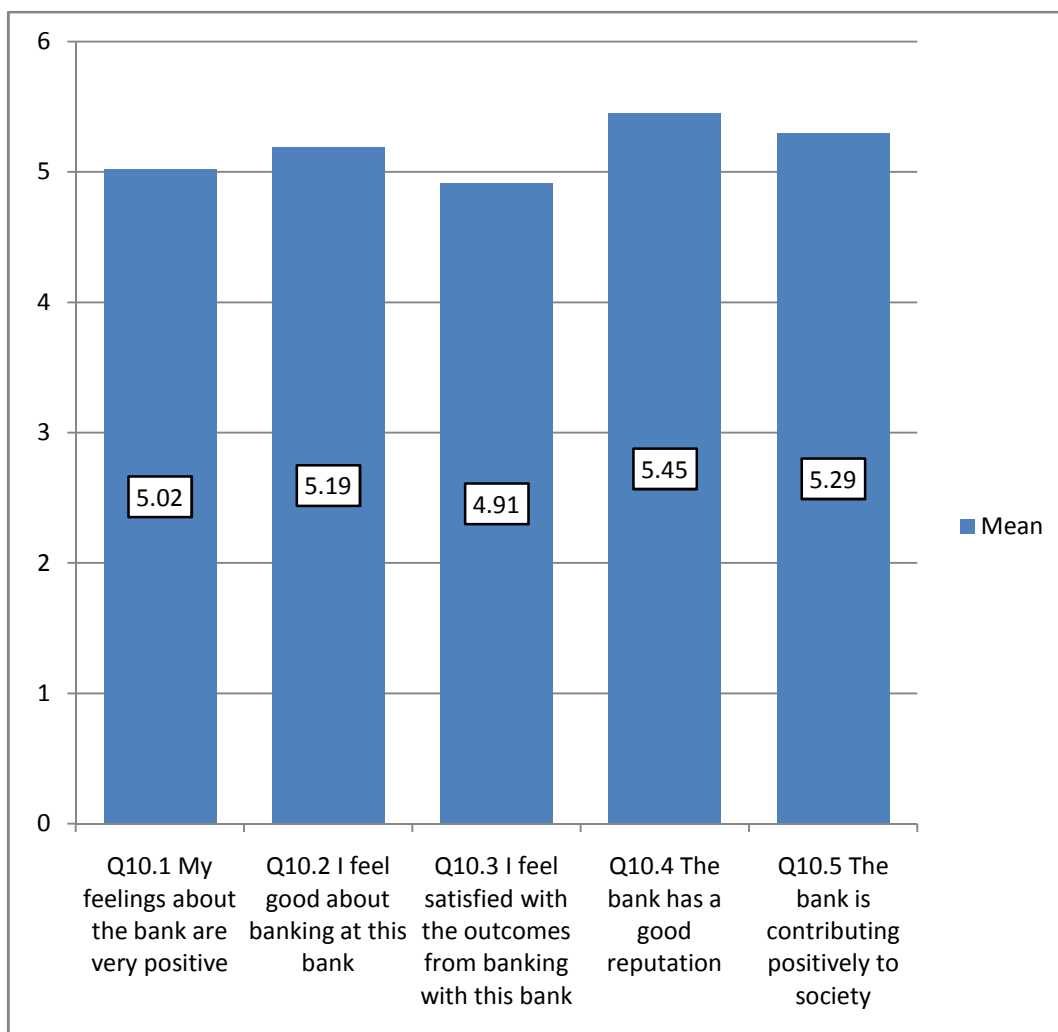
Figure 7: Price mean scores



5.4.7 Brand

Respondents, in general, tended to feel satisfied with matters related to the branding of their bank, with mean scores ranging from 4.91 to 5.45.

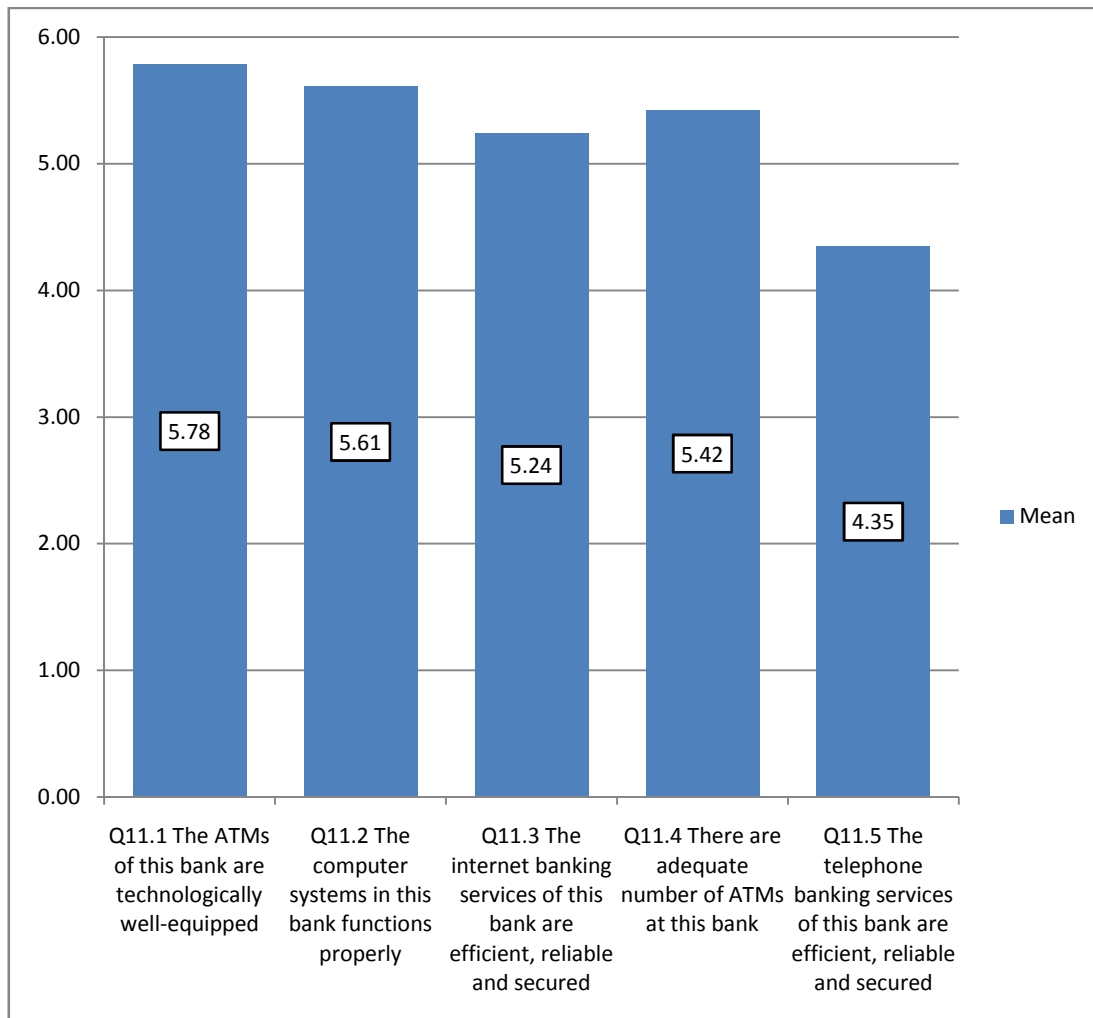
Figure 8: Brand mean scores



5.4.8 Electronic channels

Respondents, in general, tended to feel satisfied with the electronic channels of their bank. This is especially in the case of ATMs and computer systems. They were less satisfied with the telephone banking channels but it should be kept in mind that this is the channel which is used least by respondents.

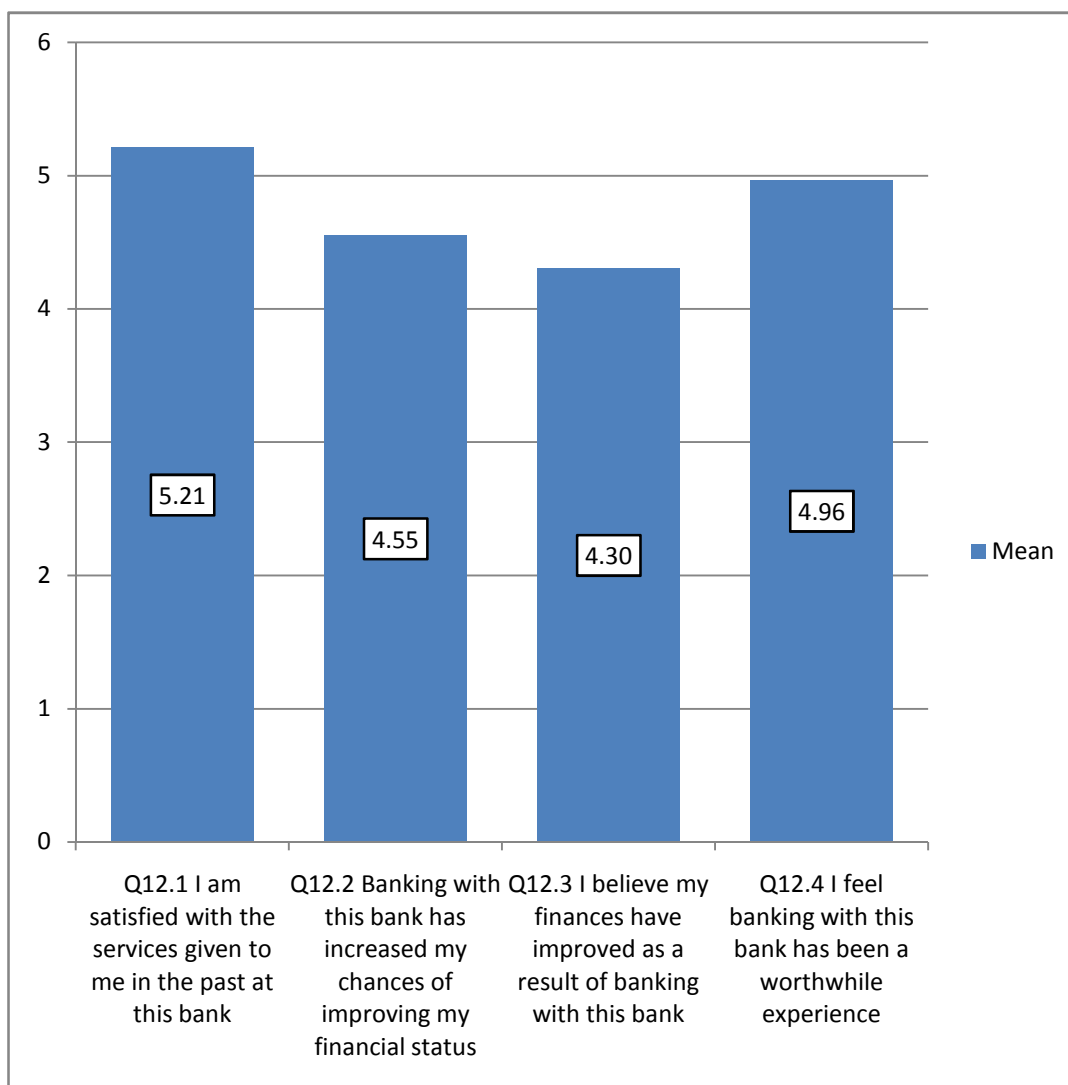
Figure 9: Electronic channel mean scores



5.4.9 Past experience

Respondents generally tended to be satisfied with the service they received from the bank in the past, but not necessarily that their financial position has improved due to their affiliation with this bank.

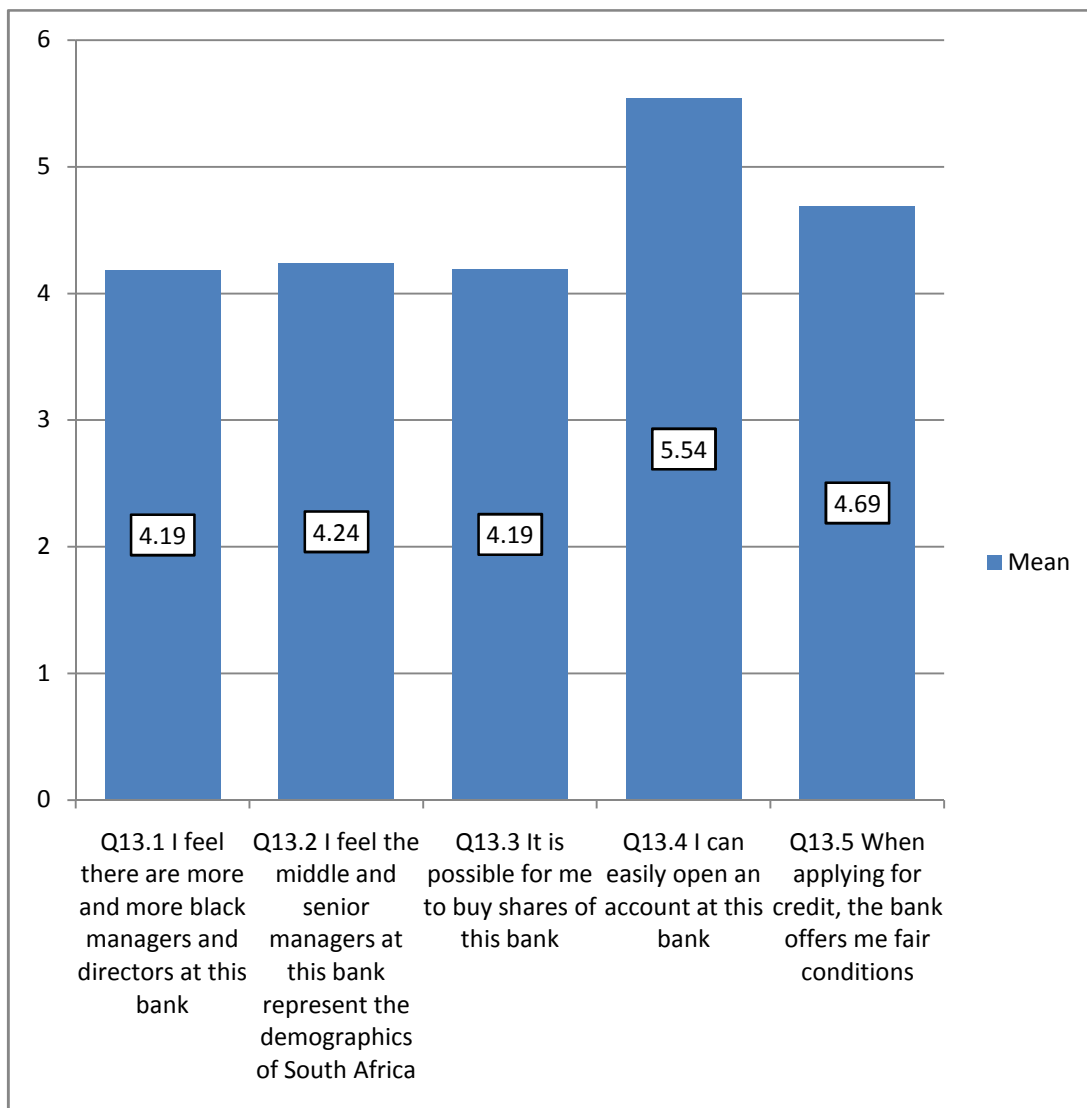
Figure 10: Past experience mean scores



5.4.10 Black Economic Empowerment (BEE)

Apart from the apparent ease of opening an account at this bank, respondents tended to be fairly neutral with regard to the remainder of the questions in this section.

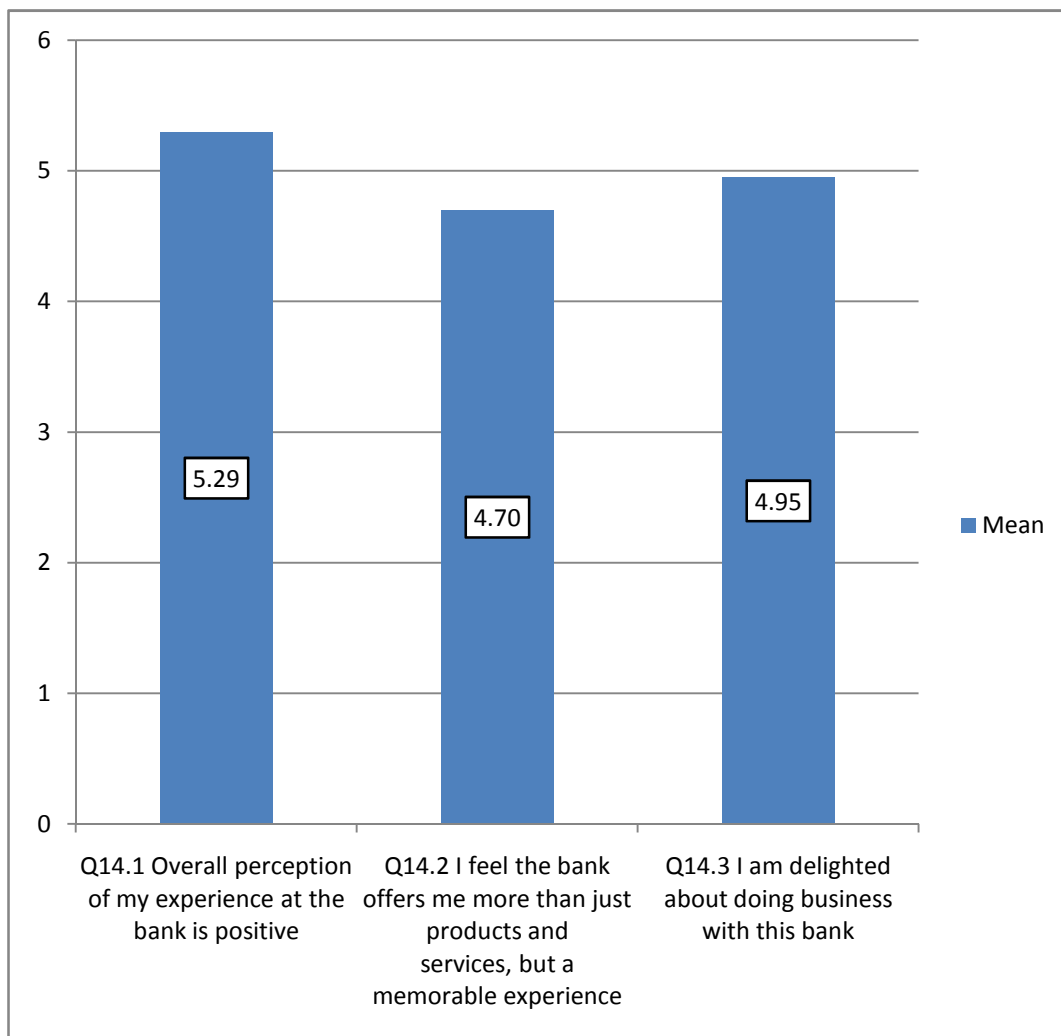
Figure 11: BEE mean scores



5.4.11 Overall customer experience

The mean score on Q14.1 confirmed the impression created from the sections above that, in general, respondents tended to experience their bank of choice positively. On the remaining two questions responses were between neutral and slight agreement.

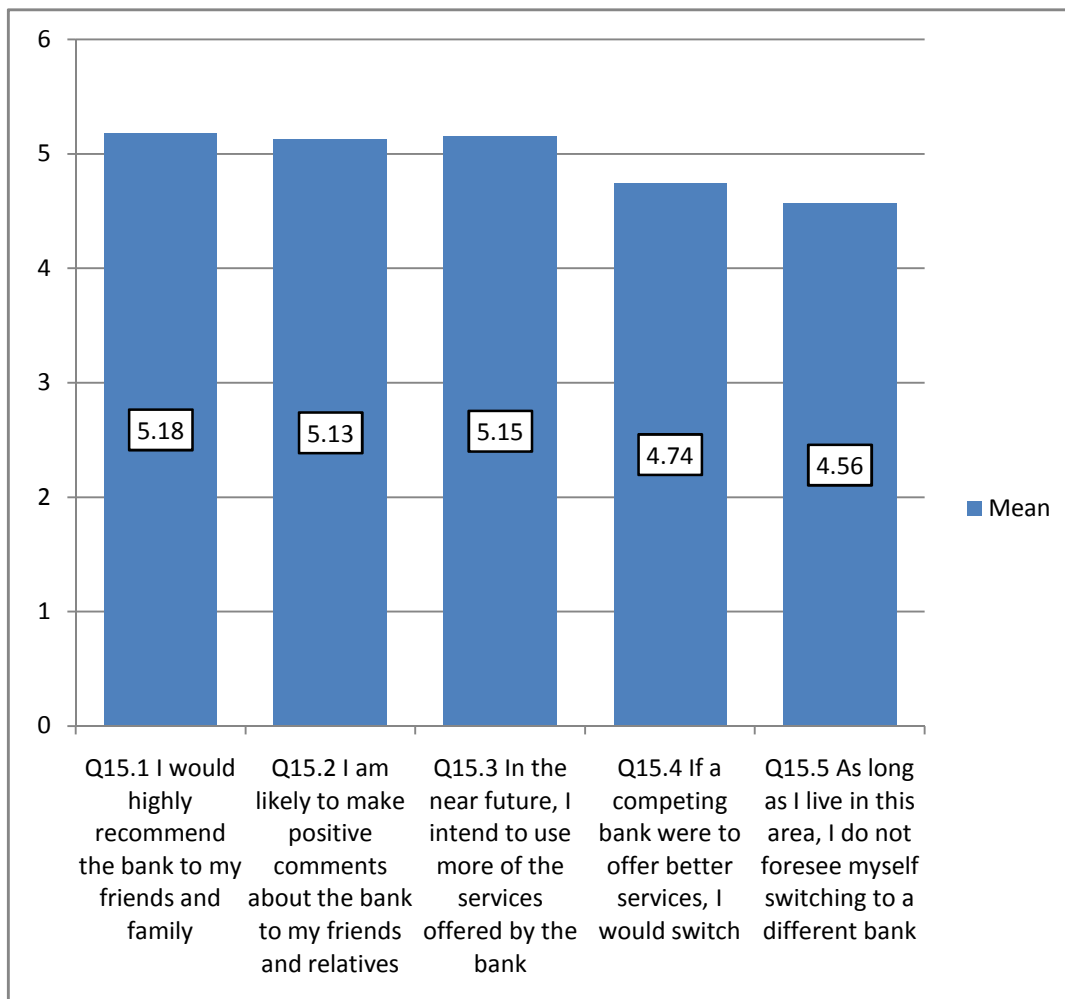
Figure 12: Overall customer experience



5.4.12 Loyalty

The mean scores on these questions confirm that customer loyalty mostly falls on the positive side of the scale with scores just above 5. However, they do reflect a moderate willingness to switch to another bank.

Figure 13: Loyalty mean scores



5.5 Factor analysis and Cronbach alpha

The Cronbach alpha and average item-to-item correlations for each factor were calculated and are shown in Table 5. The exploratory factor analysis was conducted to identify the underlying dimensions of the scale. This process yielded clear groupings which had high correlations. The service interaction question required the addition of one question, q7.5 (Bank gives me individual attention), and this improved the reliability coefficient to 0.907. The service offering question, q7 then excluded q7.5, but this did not change the coefficient significantly. Factor analysis excluded q11.5 in the construct of “Electronic channels” and this improved the coefficient slightly. The BEE construct was only explained by the first two items, and the rest were not associated to the construct of BEE.

The merged past experience and brand factor was measured by eight items and $\alpha = 0.936$; service interaction (six items, $\alpha = 0.907$), bank atmosphere (five items, $\alpha = 0.951$), merged service offering and electronic channels (six items, $\alpha = 0.807$), social environment (four items, $\alpha = 0.829$), price (five items, $\alpha = 0.826$) and BEE (two items, $\alpha = 0.861$). All the Cronbach alphas for the scale were above 0.8, which means the reliability of the instrument was acceptable.

The average inter-item correlations per scale measurement were calculated and are as follows; past experience and brand (0.655), service interaction (0.623), bank atmosphere (0.798), service offering and electronic channels (0.427), social environment (0.58), price (0.547) and BEE (0.757). The strongest inter-item correlation appears to be that of the bank atmosphere scale with the scale items of service offering and electronic channels being the least.

The seven factors extracted explained total variance of 72.475% with Kaiser-Meyer-Olkin of 0.808 demonstrating sampling adequacy.

Table 5: Results of the factor analysis

	Factor 1 Past Experience & Brand	Factor 2 Service Interaction	Factor 3 Bank Atmosphere	Factor 4 Service Offering & Electronic Channels	Average inter- item correlations
Reliability (Cronbach alpha)	0.936	0.907	0.951	0.807	
I believe my finances have improved as a result of banking with this bank	0.796				0.655
Banking with this bank has increased my chances of improving my financial status	0.780				
I feel banking with this bank has been a worthwhile experience	0.681				
My feelings about the bank are very positive	0.543				
When applying for credit, the bank offers me fair conditions	0.483				
I feel good about banking at this bank	0.446				
The bank has a good reputation	0.430				
I feel satisfied with the outcomes from banking with this bank	0.416				
I find it easy to discuss matters with staff at the bank		-0.913			0.623
I feel that the staff at the bank are competent and professional		-0.863			
I always get personalised attention from the staff at the bank		-0.845			
I feel that the staff at the bank understand my needs		-0.743			
The bank's staff treat me as an individual and not just as a number		-0.722			
The bank gives me individual attention		-0.676			
I like the layout of the bank			0.928		0.798
I like the interior decoration at the bank			0.914		
The furniture at the bank is comfortable (e.g chairs, counters & booths)			0.910		
The bank looks attractive			0.883		
The design of the bank is customer friendly			0.856		
The bank offers alternative channels of transactions				0.809	0.427
The internet banking services of this bank are efficient, reliable and secured				0.704	
The bank keeps me constantly informed				0.687	
The bank has up-to-date facilities and equipment				0.643	
The bank is contributing positively to society				0.466	
The ATMs of this bank are technologically well-equipped				0.422	

Table 5 continued:

	Factor 5 Social Environment	Factor 6 Price	Factor 7 BEE	Average inter- item correlations
Reliability (Cronbach alpha)	0.829	0.826	0.861	
My friends do business with this bank	0.843			0.580
My acquaintances do business with this bank	0.803			
My colleagues do business with this bank	0.795			
My family do business with this bank	0.689			
The bank offers the best deposit interest rates		-0.674		0.547
The bank communicates price changes properly and timeously		-0.586		
My bank keeps all promises regarding prices		-0.514		
The computer systems in this bank functions properly		0.439		
The bank offers the best loan interest rates		-0.409		
I feel the middle and senior managers at this bank represent the demographics of South Africa			-0.801	0.757
I feel there are more and more black managers and directors at this bank			-0.763	

Notes: Total variance explained: 72.475%, Kaiser-Meyer-Olkin: 0.808 (sig. = 0.000)

5.6 Correlation analysis

The Pearson simple correlation coefficients were calculated and are reported in the correlation matrix as shown in Table 6 below. All factors were correlated with overall customer experience and amongst themselves. The factors with the highest correlation with overall customer experience were past banking experience and brand (0.887) and price (0.695). These two constructs were also highly correlated with each other (0.733). The correlations between customer experience and all the factors of interest in this study were all positive indicating that there was a positive association and relationship between customer experience and all its determinants identified in this research.

Table 6: Correlation matrix

		Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Overall	Loyalty
		Past	Service	Bank	Service	Social	Price	BEE	Customer	
		Experience &	Interaction	Atmosphere	Offering &	Environment			Experience	
		Brand			Electronic					
					Channels					
Factor 1	Pearson Correlation	1								
	Sig. (2-tailed)									
	N	111								
Factor 2	Pearson Correlation	.551**	1							
	Sig. (2-tailed)	0.000								
	N	111	111							
Factor 3	Pearson Correlation	.486**	.399**	1						
	Sig. (2-tailed)	0.000	0.000							
	N	109	109	109						
Factor 4	Pearson Correlation	.573**	.414**	.414**	1					
	Sig. (2-tailed)	0.000	0.000	0.000						
	N	110	110	109	110					
Factor 5	Pearson Correlation	.375**	.274**	.261**	.381**	1				
	Sig. (2-tailed)	0.000	0.004	0.006	0.000					
	N	110	110	109	110	110				
Factor 6	Pearson Correlation	.733**	.408**	.426**	.449**	.302**	1			
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.001				
	N	110	110	109	110	110	110			
Factor 7	Pearson Correlation	.430**	0.115	.379**	.334**	.238*	.431**	1		
	Sig. (2-tailed)	0.000	0.232	0.000	0.000	0.013	0.000			
	N	109	109	107	108	108	108	109		
Overall	Pearson Correlation	.887**	.547**	.478**	.565**	.370**	.695**	.445**	1	
Customer	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000		
Experience	N	109	109	107	108	108	108	109	109	
Loyalty	Pearson Correlation	.826**	.497**	.520**	.541**	.318**	.674**	.405**	.800**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.001	0.000	0.000	0.000	
	N	109	109	107	108	108	108	109	109	109

Notes:

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

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

5.7 Multiple regression analysis model

To assess the impact of the nine dimensions identified in this study on overall customer experience, a multiple linear regression analysis was performed using the factor score values of the dimensions as independent variables and overall customer experience as dependent variable. The empirical results of this multivariate analysis are shown in Table 7 below.

Table 7: Multiple regression model

Dependent Variables	Independent Variables	Unstandardized Regression Coefficient (Beta)	Std. Error	Standardized Regression Coefficient (Beta)	t	Sig
Overall customer experience	Constant	-0.006	0.400		-0.016	0.987
	Past Experience & Brand	0.728	0.078	0.735	9.278	0.000
	Service Interaction	0.077	0.053	0.078	1.435	0.155
	Bank Atmosphere	0.016	0.055	0.015	0.284	0.777
	Service Offering & Electronic Cl	0.036	0.077	0.026	0.466	0.642
	Social Environment	0.019	0.045	0.021	0.430	0.668
	Price	0.058	0.062	0.060	0.927	0.356
	BEE	0.082	0.054	0.080	1.538	0.127

R^2 0.812; F-Value 52.316; (Sig 0.000); adjusted R^2 0.796; Std. error of estimate 0.56152;

The nine dimensions of customer experience have a highly significant impact on overall customer experience ($R^2 = 0.812$). The most important drivers of customer experience, in terms of this model, are past experience and brand ($\beta = 0.735$) with a p value < 0.01 . The regression coefficients of the other dimensions were very low and seemed less important.

With this in mind, a second simple linear regression analysis was performed. This time with only past experience and brand as independent variables and customer experience as a dependent variable. The results of the analysis are shown in Table 8.

Table 8: Simple linear regression model

Dependent Variables	Independent Variables	Unstandardized Regression Coefficient (Beta)	Std. Error	Standardized Regression Coefficient (Beta)	t	Sig
Overall customer experience	Constant	0.745	0.220		3.384	0.001
	Past Experience & Brand	0.870	0.044	0.887	19.829	0.000

R^2 0.786; F-Value 393.170; (Sig 0.000); adjusted R^2 0.784; Std. error of estimate 0.57922;

The simple regression analysis showed once again that past experience and brand have a highly significant impact on overall customer experience ($\beta = 0.887$) with a p value < 0.01 . The simple linear regression coefficient confirmed the simple correlation coefficient, $r = 0.887$, reported on the correlation matrix in Table 6.

CHAPTER SIX - Discussion of results

In this chapter the results and key findings of this study will be discussed. Customer experience has been identified as a distinct economic offering that present opportunities for companies to compete effectively and differentiate themselves in the markets where goods and services have become increasingly commoditised (Heineke & Davis, 2007; Pine & Gilmore, 1999). Research has shown that competitive advantage in the global economy cannot be achieved through excellent products and services alone; but by developing customer-centric strategies that focus on delivering memorable customer experiences, firms can enhance their competitive edge in the fiercely contested markets. In order to develop a comprehensive understanding of customer experience in the context of retail banking in South Africa, this study has set out to answer the following questions:

- To what extent do factors such as social environment, service interface, atmosphere, service offering, price, brand, BEE, electronic channels and past experience impact on the overall customer experience?
- What are the main drivers of customer experience in retail banking?
- How can retail banking managers capitalise on these factors to influence customers' behaviour and loyalty?

6.1 Research hypotheses

In order to answer these questions the following hypotheses have been formulated and answered in this study:

6.1.1 Hypothesis 1

H1: The social environment as perceived by the customer is positively associated with the customer experience in retail banking.

The mean scores on the social environment scale were somewhat lower and clustered around the “neutral” point, indicating that the social influence played a minimal role with regard to the choice and customer’s perception of their bank. This was consistent with the Pearson’s correlation coefficient of 0.370 ($p < 0.01$) between social environment and customer experience which was the lowest but still positive. The coefficient of determination, r^2 , was 0.1369 (0.370^2), which implied that 13.69% of the variance in customer experience could be explained by the variance in social environment.

The need to identify with others and conform to their expectations appeared to have some positive influence on the customers’ experience and thus supports the first research hypothesis that there was a positive association between social environment and customer experience $p < 0.01$ (sig. = 0.000).

6.1.2 Hypothesis 2

H2: The retail bank service encounter as perceived by the customer is positively associated with the customer experience.

The mean scores for service encounter showed that on average, respondents had a fairly positive feeling about their interactions with the retail banking services providers. All the scores were above four, the “neutral point”, with the competency and professionalism of the banking staff ranked the highest at a score of 5.16. The Pearson’s correlation coefficient, r , was 0.547 ($p < 0.01$) between service encounter and customer experience. This showed a fairly moderate and positive association

between customer experience and service encounter. The coefficient of determination, r^2 , was 0.299 which meant that about 29.9% of variance in customer experience could be explained by the variance in service encounters.

This finding supports the second research hypothesis that a positive relationship exists between service encounters and customer experience $p < 0.01$ (sig. = 0.000). Arnold et al. (2005) found that the delightful experiences in the retail environment can amongst other things, be attributed to interpersonal and non-interpersonal factors.

6.1.3 Hypothesis 3

H3: The retail bank atmosphere as perceived by the customer is positively associated with the customer experience.

The mean scores for bank atmosphere suggested that on average, respondents tended to have a reasonably positive feeling towards the bank atmosphere with little differences between the means, which ranged from 4.95 to 5.15. The Pearson's correlation coefficient, r , was 0.478 ($p < 0.01$), indicating a fairly moderate and positive association between bank atmosphere and customer experience. The coefficient of determination, r^2 , was 0.228 which implied that about 22.8% of variance in customer experience could be explained by the variance in bank atmosphere.

This finding supports the third research hypothesis that bank atmosphere is positively associated with the customer experience $p < 0.01$ (sig. = 0.000). This low customer experience variance of 22.8% associated with the bank atmospherics was interesting.

6.1.4 Hypothesis 4

H4: The retail bank service offering as perceived by the customer is positively associated with the customer experience.

The mean scores for service offering were staggered between 4.5 and 5.57. The most positively rated aspects tended to be the facilities and alternative channels of transacting. The respondents appeared to have reasonably positive feelings towards service offerings at the bank. This was not surprising given the advanced state of the banking system in this country.

The Pearson's correlation coefficient, r , was 0.565 ($p < 0.01$), indicating a slightly above average and positive association between service offering and customer experience. The coefficient of determination, r^2 , was 0.319 which implied that about 31.9% of variance in customer experience could be explained by the variance in the services offered at the bank.

The finding supports the fourth research hypothesis that a positive relationship exists between services offered at the bank and the customer experience $p < 0.01$ (sig. 0.000). Hume et al. (2006) argue that the service experience is a measure of the extent to which the customer's needs and wants have been met and is related to the value perceived to have been derived from the quality of these services. The slightly above average correlation coefficient showed there was room for improvement and that banks needed to work harder to 'up their game'. The variances of 31.8% for bank services and 29.9% for service encounters are very close to each other with only 1.9% separating the two. This is no coincidence as the creation and consumption of the service occurs simultaneously. Therefore these findings showed some degree of consistency in how customers perceive service encounters and service offering.

6.1.5 Hypothesis 5

H5: The retail banking cost structure as perceived by the customer is positively associated with the customer experience.

The mean scores for the price scale tended to be somewhat lower, suggesting respondents were not particularly satisfied with the prices and cost structure offered by their banks, especially on comparative interest rates, being on the negative side of the scale. This finding reflects the view held by most South Africans that the bank charges and interest rates in the banking industry are too high. It is a public knowledge that at some stage an investigation was commissioned by the authorities to probe the cost structure and bank charges in the banking industry.

The Pearson's correlation coefficient, r , was 0.695 ($p < 0.01$), indicating an above average and positive association between price and customer experience. The coefficient of determination, r^2 , was 0.483 which implied that about 48.3% of variance in customer experience could be explained by the variance in the prices banks charged. What was even more interesting was the fact that price was the second factor after brand and past experience with the strongest positive linear relationship with customer experience.

This finding supports the fifth research hypothesis that there is a positive relationship between prices charged by banks and the customer experience $p < 0.01$ (sig. 0.000). According to Grewal et al. (2009) if prices are set too high, customers may view this as a poor value for money.

6.1.6 Hypothesis 6

H6: The retail bank brand as perceived by the customer is positively associated with the customer experience.

The respondents in general tended to feel satisfied with their bank. The mean scores ranged between 4.91 and 5.45 registering the second highest mean scores after electronic channels. This statistic showed that the 61.7% of the respondents who have changed banks in the past were satisfied with the products and services offered at their new bank.

The Pearson's correlation coefficient, r , was 0.887 ($p < 0.01$), which was the highest positive association calculated in this study, indicating a very strong relationship between the brand and customer experience. The coefficient of determination, r^2 , was 0.787 which implied that about 78.7% of variance in customer experience could be explained by the variance in the brand of the bank.

This finding strongly supports the sixth research hypothesis that the retail bank brand is positively associated with the customer experience $p < 0.01$ (sig. 0.000). The results overwhelmingly confirmed the work of Kimpakorn & Tocquer (2007) and Verhoef et al. (2009) that show that brand and branding play an important role in influencing the customer's behaviour and evaluation of the value, quality and performance of the organisation.

6.1.7 Hypothesis 7

H7: The electronic channels as perceived by the customer are positively associated with the customer experience in retail banking.

The respondents in general were satisfied with the electronic channels of their bank. The mean scores for the banks' electronic channels were above five except for the telephone banking which was the lowest at 4.35. The

ATMs and computer systems were rated the highest at 5.78 and 5.61 respectively. This finding was a true reflection of the technological advancement and sophistication of the South African banking system.

The Pearson's correlation coefficient, r , was 0.565 ($p < 0.01$), indicating a slightly above average and positive association between the electronic channels and customer experience. The coefficient of determination, r^2 , was 0.319 which implied that about 31.92% of variance in customer experience could be explained by the variance in the electronic channels of the bank.

This finding supports the seventh research hypothesis that a positive relationship exists between electronic channels of the bank and the customer experience $p < 0.01$ (sig. 0.000). The advances in telecommunication, information technology and the Internet have created an enabling environment and provided banks with the alternative distribution channels for the delivery of services to spatially dispersed customers. According to Rhee and Mehra (2006) these technological changes provide an added benefit of convenience of time and place to the banking customers.

6.1.8 Hypothesis 8

H8: The past experiences and interactions in retail banking are positively associated with the customer experience.

The respondents generally tended to be satisfied with the service received from the bank in the past, but not necessarily that their financial position had improved due to their affiliation with the bank.

The Pearson's correlation coefficient, r , was 0.887 ($p < 0.01$), which was also the highest positive association calculated in this study, indicating a very strong relationship between past experience and customer experience. The coefficient of determination, r^2 , was 0.787 which implied that about

78.68% of variance in customer experience could be explained by the variance in past experience of the bank.

This finding strongly supports the eighth research hypothesis that the past experience is positively associated with the customer experience $p < 0.01$ (sig. 0.000).

6.1.9 Hypothesis 9

H9: BEE as perceived by the customer is positively associated with the customer experience in retail banking.

The mean scores for BBBEE tended to be fairly neutral indicating that the BEE status of the bank did not have a significant influence on the behaviour and attitudes of the respondents towards a bank.

The Pearson's correlation coefficient, r , was 0.445 ($p < 0.01$), indicating a slightly below average and positive association between bank's BEE status and customer experience. The coefficient of determination, r^2 , was 0.198 which implied that about 19.80% of variance in customer experience could be explained by the variance in the BEE status of the bank.

This finding supports the ninth research hypothesis that a positive relationship exists between BEE status of the bank and the customer experience $p < 0.01$ (sig. 0.000).

6.2 Main drivers of customer experience

The mean score for the overall customer experience (fig. 12), q14.1 was 5.29 and confirmed the impression created from the dimensions measured, that in general, respondents tended to experience their bank of choice positively. On q14.2 and q14.3 the respondents were between neutral (mean = 4.7) and slight agreement (mean = 4.95).

Figure 14: Simple correlation coefficients

		Factor 4 Service Offering & Electronic Channels	Factor 5 Social Environment	Factor 6 Price	Factor 7 BEE
Overall	Pearson Correlation	.565**	.370**	.695**	.445**
Customer	Sig. (2-tailed)	0.000	0.000	0.000	0.000
Experience	N	108	108	108	109

Notes:
 **. Correlation is significant at the 0.01 level (2-tailed).
 *. Correlation is significant at the 0.05 level (2-tailed).

Figure 15: Coefficient of determination – r^2

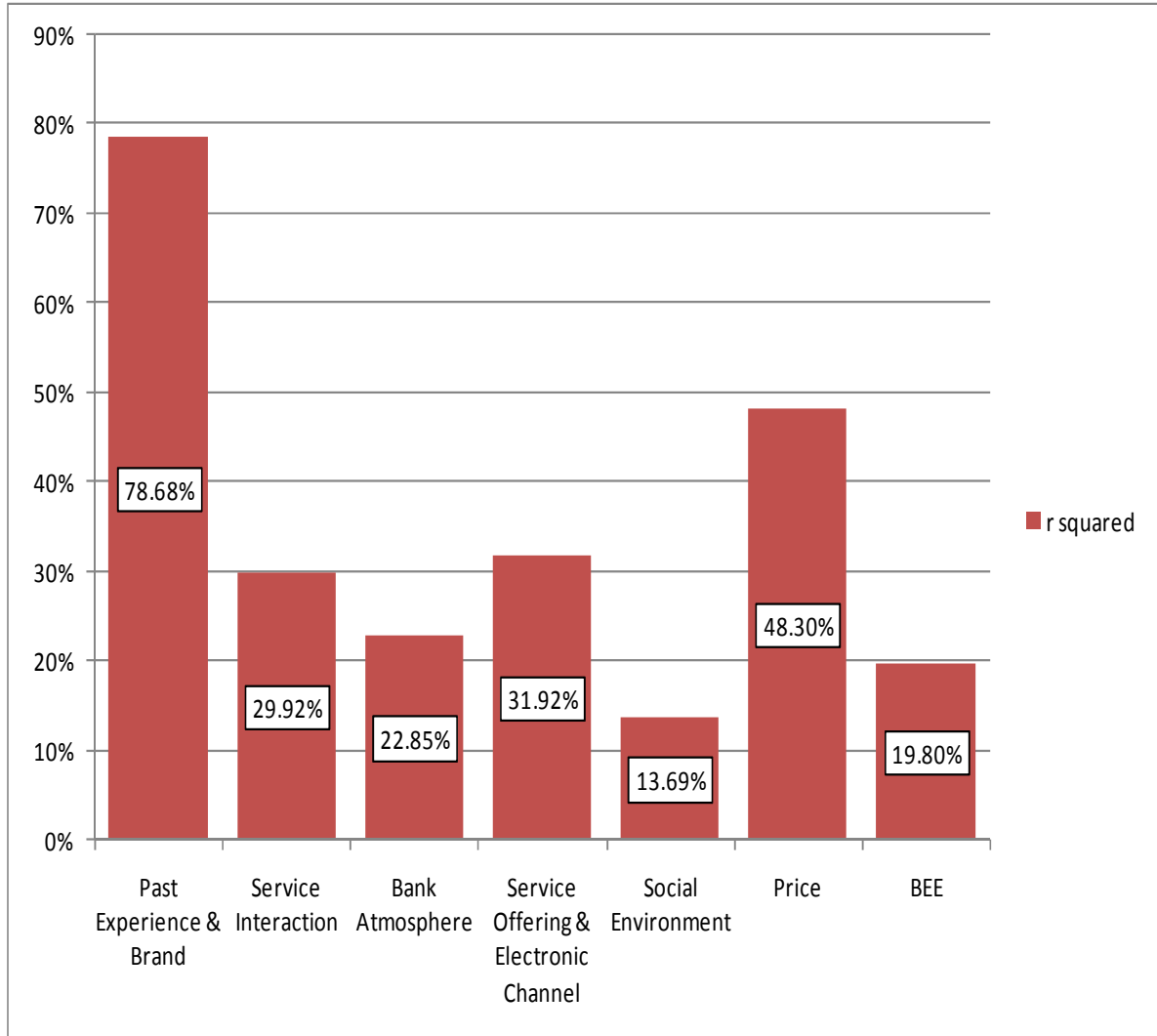


Figure 15 above, shows the coefficients of determination for all the factors. The past experience and brand appeared to be the strongest determinants and main drivers of overall customer experience (78.68%). This was also confirmed by the multiple linear regression model in Table 7, as well as the simple linear regression model in Table 8.

The equations for multiple linear regression and simple regression models:

Multiple linear regression model:

Overall customer experience = $-0.006 + 0.735*(\text{past experience \& brand}) + 0.078*(\text{service interaction}) + 0.015*(\text{bank atmosphere}) + 0.026*(\text{service offering \& electronic channel}) + 0.021*(\text{social environment}) + 0.060*(\text{price}) + 0.080*(\text{BEE})$

Simple linear regression model:

Overall customer experience = $0.745 + 0.887*(\text{past experience \& brand})$

CHAPTER SEVEN - Conclusion

The purpose of this study was to develop a comprehensive understanding of the antecedents of customer experience. To achieve this objective, the influence of these antecedents on customer experience was measured and assessed. The study further explored the impact of the perceived transformation and BEE on customer experience.

7.1 Key research findings

Social environment. The findings suggest that the influence from other people played a lesser role in customer experience. Having family members, friends or acquaintances banking with the same bank does not necessarily add significantly to customer experience or translate into a significant change in the customer's attitude and behaviour towards a particular bank. However, this finding agrees with the argument made by White and Dahl (2007) that the consumer's perceptions about the product or service can be influenced by the people and groups they associate with.

Service encounter. The findings show that although customers are generally satisfied with the encounters and interactions with bank employees at the branch, this does not necessarily translate into a delightful customer experience. Arnold et al. (2005) argued that the interpersonal and non-interpersonal factors can lead to the delightful experiences in the retail environment. The finding indicates that the banks in South Africa have not quite reached a stage where customers are excited about their interactions and relationships with the bank's staff. The customers appeared to be happy with the competence level and the professionalism of the staff.

Atmosphere. The findings suggest that whilst the customers were satisfied with the atmospheric factors "look" and "feel" at the bank branches, this did not significantly enhance the customer experience. The banks attempt to create an open

environment conducive to building customer relationships, by adopting modern branch designs that incorporate plasma TVs, internet stations and modern furniture. Research has shown that consumer behaviour can significantly be influenced by the store's atmospherics and that store's atmospherics are increasingly considered as a means of creating pleasurable consumer's experience (Baker et al., 2002; Kamaladevi, 2010). The findings in this study appeared to have not strongly supported this view.

Service offering & electronic channel. The findings show that customer experience was not significantly influenced by the service offerings and alternative service delivery systems such as ATMs, telephone and Internet banking. Whilst customers were generally satisfied with the services and distribution channels used, they tend to perceive little difference in the services offered by these banks. Mankila (2004) attributes this to the lack of differentiation among the retail banks.

Price. The findings suggest that perceived competitiveness of the bank's interest rates has a significant impact on customer experience. Prices appear to be the most important consideration for the average consumer. Customers are concerned about the rates they receive from the banks on savings and loans. The findings support the views of Devlin and Gerrard (2004), that "economic factors", such as interest rates, have become increasingly important to the customers.

BEE. The findings suggest that the customer's perception of transformation and BEE in banking does not have a significant impact on customer experience. The customers tend to be neutral on the issue of BEE in retail banking. The perception is that BEE enriches a small group of Black elite and does not empower the majority. Some believe that BEE has not been implemented properly and as a result have developed negative feelings towards the idea.

Past experience & brand. The findings suggest that past experiences and the brand have a significant impact on customer experience. The study strongly supported the findings of Osman (2001); Verhoef et al. (2009) and Woodruff et al.

(1983), that consumer's past experiences and interactions with the retailer create an image and perceptions which influence how the customers experience the brand. A series of past experiences as a result of repeated buying and use of services create a brand loyalty in the mind of the customer consisting of the commitment to use the services in the future.

7.2 Practical implications

In the current financial environment and economic climate, creating a memorable customer experience has increasingly become a key source of differentiation in retail banking. This study showed that the past experiences, brand and the price are the main contributors to the improvement in customer experience.

Past experiences. The retail banking executives and managers need to focus on managing the experiences at all customer touch-points as the key input to the brand. Customer experience is personal, internal and subjective; bank managers and executives need to find alternative means of converting standardised service offerings into personalised and individualised offerings to meet customer needs and create great customer experience.

The managers and executives need a combination of the right pricing strategies, customer-centric culture and the technology to deliver superior customer experience. Whilst banks are keen to maximise their margin, customers on the other hand have become more price sensitive. They are more empowered than ever and have the ability to compare best interest rates and offers on a daily basis. Customers have a strong belief in the price and value (Yee & Sidek, 2008). If the value proposition is perceived to be greater than the cost, the consumers will continue to purchase and use the services.

To build strong relationships with the customers requires employees who are customer-oriented and understand the customer's needs. The executives and managers need to invest in their staff and instil a culture that seeks to go an "extra

mile” for the customer. If customers perceive that they are receiving a personalised service which is tailored to their needs, customer experience will be enhanced and this will turn loyal customer into advocates. The challenge in this tough economic climate is to keep the existing customers whilst at the same time attracting new customers by reference and recommendations from the delighted ones.

Technology will play a critical role in providing the accurate information and educating the staff about the products and services so that the pleasant customer experience can be created through knowledgeable and competent employees. Access to information for the staff is crucial for the creation of memorable customer experience. There are software tools in the market that can be used to provide real time information about the changing needs of the customers.

Brand. According to Savard and Gallagher (2010), companies sell products and people buy brands. The strong correlation between customer experience and brand reflects the importance consumers attach to the brand. People identify with particular brands and see brands as an extension of their own personal identities. The consumers choose banks on the basis of friendliness, sound financial security, good image and an ability to identify with the customer (Swart, 2009). By investing in their brands, companies, do not only build the brand image and brand equity, but they also enhance customer experience and assist customers to differentiate between products and services offered in the market.

In the recent *Sunday Times Top Brands Awards, held on the 26th August 2010*, ABSA emerged as a winner with FNB and Standard Bank occupying the 2nd and 3rd positions respectively in the banking category. The awards were based on the results of the Top Brands survey conducted by TNS Research Surveys and commissioned by the Sunday Times (“*Sunday Times awards iconic brands*”, 2010). ABSA was regarded as the top bank according to the 3 500 South African interviewed. Incidentally, it was found even in this study that the majority of the respondents (37.9%) banked with ABSA, with FNB (25%) and Standard bank (20.7%) taking the 2nd and 3rd places respectively.

ABSA seems to be doing something right to win the hearts and minds of South African. The simply worded pay-off line, “Today, Tomorrow, Together” appears to have enhanced the brand image and influenced the customer’s perception positively. This is a good example of a company that leverage brand image to gain the market share and enhance customer experience.

Prices. The study has shown that respondents were not particularly satisfied with the bank charges. Consumers appear to be very sensitive about the prices and tend to switch if bank fees are too high. The *Solidarity Movement* has recently released a report that shows that Capitec and FNB are the South Africa’s cheapest banks, whilst ABSA and Standard Bank were the most expensive (“*Moneyweb*”, 2010). As a result these organisations (Solidarity, AfriForum and Helping Hand) have announced that they will be moving their bank accounts from ABSA to FNB and Nedbank. According to Gareth Mountain from (“*ThinkMoney*”, 2010), innovative products and simple pricing structures has put both FNB and Nedbank ahead of their competitors in terms of the subscriber’s market share. Meanwhile, the market shares of ABSA and Standard Bank are threatened by pricing structures of their competition.

BEE. This study found that BEE did not significantly influence the customer’s perception of customer experience in retail banking. BEE seems to be more of an internal business issue than the customer. According to Chonco (2008), the basic premises of empowerment were:

- Moral – BEE seek to eradicate the reprehensible, unfair and exclusive culture and practices of the pre-1994 era.
- Legal – it is unlawful to discriminate unfairly as stipulated by the Constitution and other laws of the country.
- Business interest – business will benefit from the diversity of skills and competencies it can have access to if created opportunities for all to benefit as equals.

- Markets – new markets will develop as a result of the improved earning power of new entrants.

BEE for most companies is seen as a vehicle for sustainable growth and development. Through BBBEE companies are able to contribute towards the redressing of inequalities, boosting of economic growth and the creation of better life for all the people in South Africa.

7.3 Further research direction

This study focused on the customer experience from the recipient point of view. However, in order to create a memorable customer experience, bank executives and managers need to buy into the concept of customer experience creation. Moreover, the employees at the bank need to understand this concept of customer experience and know how to create it for the benefit of the customer.

A further research is suggested to investigate the extent to which bank executives and managers perceive the determinants identified in this study as having an impact on the customer experience. It should be interesting to explore customer experience from the bank executives' and managers' point of view.

Furthermore, a research is suggested to investigate the extent to which the retail banking industry views the creation of customer experience as providing a competitive advantage, and having actually implemented it.

Finally, to investigate the extent to which the banks have taken the necessary steps to equip the staff with the skills and competencies that will enable them to deliver great customer experiences, and the effect of this effort on the bottom line.

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CONSISTENCY MATRIX

HYPOTHESES	LITERATURE REVIEW	DATA COLLECTION TOOL	ANALYSIS
Hypothesis 1 The social environment is positively related to the customer experience.	White & Dahl, 2006 Berger & Heath, 2007 Wooten & REED II, 2004	Self administered, seven point Likert scale questionnaire	Descriptive and Multivariate Statistics
Hypothesis 2 The service encounter is positively related to the customer experience.	Czepiel, 1990 Reynolds & Beatty, 1999	Self administered, seven point Likert scale questionnaire	Descriptive and Multivariate Statistics
Hypothesis 3 The retail atmosphere is positively related to the customer experience.	Kamaladevi, 2010 Baker et al, 2002 Bitner, 1992	Self administered, seven point Likert scale questionnaire	Descriptive and Multivariate Statistics
Hypothesis 4 The service offering is positively related to the customer experience.	Kamaladevi, 2010 Johnston & Clark, 2001 Hume et al, 2006	Self administered, seven point Likert scale questionnaire	Descriptive and Multivariate Statistics
Hypothesis 5 The price of product or service is positively related to the customer experience.	Zeithaml, 1988 Grewal et al, 2009 Rao & Monroe, 1989	Self administered, seven point Likert scale questionnaire	Descriptive and Multivariate Statistics
Hypothesis 6 The brand is positively related to the customer experience.	Kimpakorn & Tocquer, 2007 Merz et al, 2009 Berry, 2000 Verhoef et al, 2009	Self administered, seven point Likert scale questionnaire	Descriptive and Multivariate Statistics
Hypothesis 7 The online retailing is positively related to the customer experience.	Eroglu et al, 2001 Wang et al, 2007	Self administered, seven point Likert scale questionnaire	Descriptive and Multivariate Statistics
Hypothesis 8 The past experiences and interactions with a retailer are positively related to the customer experience.	Osman, 2001 Woodruff et al, 1983 Verhoef et al, 2009	Self administered, seven point Likert scale questionnaire	Descriptive and Multivariate Statistics

APPENDICES

Dimensions and scale items

<i>Service Interaction (five items)</i>
Q5.1 The bank's staff treat me as an individual and not just as a number
Q5.2 I feel that the staff at the bank are competent and professional
Q5.3 I feel that the staff at the bank understand my needs
Q5.4 I always get personalised attention from the staff at the bank
Q5.5 I find it easy to discuss matters with staff at the bank
<i>Bank Atmosphere (five items)</i>
Q6.1 The furniture at the bank is comfortable (eg chairs, counters & booths etc)
Q6.2 I like the layout of the bank
Q6.3 The bank looks attractive
Q6.4 I like the interior decoration at the bank
Q6.5 The design of the bank is customer friendly
<i>Service Offering (five items)</i>
Q7.1 The bank offers innovative products and services
Q7.2 The bank keeps me constantly informed
Q7.3 The bank has up-to-date facilities and equipment
Q7.4 The bank offers alternative channels of transactions
Q7.5 The bank gives me individual attention
<i>Social Environment (four items)</i>
Q8.1 My family do business with this bank
Q8.2 My friends do business with this bank
Q8.3 My colleagues do business with this bank
Q8.4 My acquaintances do business with this bank
<i>Price (five items)</i>
Q9.1 The bank communicates price changes properly and timeously
Q9.2 My bank keeps all promises regarding prices
Q9.3 The offers the best deposit interest rates
Q9.4 The bank offers the best loan interest rates
Q9.5 My bank does not take advantage of me
<i>Brand (five items)</i>
Q10.1 My feelings about the bank are very positive
Q10.2 I feel good about banking at this bank
Q10.3 I feel satisfied with the outcomes from banking with this bank
Q10.4 The bank has a good reputation
Q10.5 The bank is contributing positively to society
<i>Electronic channels (five items)</i>
Q11.1 The ATMs of this bank are technologically well-equipped
Q11.2 The computer systems in this bank functions properly
Q11.3 The internet banking services of this bank are efficient, reliable and secured
Q11.4 There are adequate number of ATMs at this bank
Q11.5 The telephone banking services of this bank are efficient, reliable and secured
<i>Past Experience (four items)</i>
Q12.1 I am satisfied with the services given to me in the past at this bank
Q12.2 Banking with this bank has increased my chances of improving my financial status
Q12.3 I believe my finances have improved as a result of banking with this bank
Q12.4 I feel banking with this bank has been a worthwhile experience
<i>Black Economic Empowerment - BEE (five items)</i>
Q13.1 I feel there are more and more black managers and directors at this bank
Q13.2 I feel the middle and senior managers at this bank represent the demographics of South Africa
Q13.3 It is possible for me to buy shares of this bank
Q13.4 I can easily open an account at this bank
Q13.5 When applying for credit, the bank offers me fair conditions

Questionnaire

A. Bank Information

Which bank is your main banking services supplier?

ABSA	FNB	Nedbank Bank	Standard Bank	Other (Please insert name)

Is the bank your first ever bank to open an account with?

Yes	No

If no, what was the reason for leaving your previous bank?

Overall Dissatisfaction with My Previous Bank's Services	Job Relocation	Moved out of the Bank's Area	My Previous Bank Closed Down	My Previous Bank Bought by Different Bank	Other (Please insert name)

B. Bank's Channels Usage

To what extent do you use the following banking channels?

	Never	Rarely	Occasionally	Sometimes	Often	Regularly	To a great extent
Banking Hall (Branch)							
ATM							
Cellphone banking							
Telephone banking							
Internet banking							

C. Service Interaction:

	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
The bank's staff treat me as an individual and not just as a number							
I feel that the staff at the bank understand my needs							
The staff at the bank are concerned about my well-being (financial and/or personal)							
I always get personalised attention from the staff at the bank							
I find it easy to discuss matters with staff at the bank							

D. Bank Atmosphere:

	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
The furniture at the bank is comfortable (e.g chairs, counters and booths)							
I like the layout of the bank							
The bank looks attractive							
I like the interior decoration at the bank							
The design of the bank is customer friendly							

E. Service Offering:

	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
The bank offers innovative products and services							
The bank offers alternative channels of transactions (ATMs, Telephone & Internet banking)							
The bank keeps me constantly informed							
The bank has up-to-date facilities and equipment							
The bank gives me individual attention							

F. Social Environment:

	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
My family do business with this bank							
My friends do business with this bank							
My colleagues do business with this bank							
My acquaintances do business with this bank							

G. Price:

	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
The bank communicate price changes properly and timeously							
My bank keeps all promises regarding prices							
The bank offers the best deposit interest rates							
The bank offers the best loan interest rates							
My bank does not take advantage of me							

H. Brand:

	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
My feelings about the bank are very positive							
I feel good about banking at this bank							
I feel satisfied that the results from banking with this bank is the best that can be achieved							
The bank has a good reputation							
The bank is contributing to society							

I. Electronic Channels:

	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
The ATMs of this bank are technologically well-equipped							
The computerised system in this bank functions properly							
The internet banking services of this bank are widespread							
There is an adequate number of ATMs in this bank							
The telephone banking services of this bank are widespread							

J. Past Experience:

	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
I am satisfied about the services the bank has given to me in the past							
Banking with this bank has over a period of time increased my chances of improving my financial wellbeing							
I believe my financial wellbeing has improved as a result of banking with this bank							
I believe banking at this bank has been a worthwhile experience							
I leave the bank feeling encouraged about the service being given at this bank							

K. Black Economic Empowerment:

	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
I have the feeling that there are more and more black managers and directors at this bank							
I have the feeling that the middle and senior managers at this bank represent the demographics of the country							
It is possible for me to buy shares of this bank							
I can easily open an account at this bank							
When applying for credit, the bank offers me fair conditions							

L. Loyalty

I would highly recommend the bank to my friends and family

Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree

I am likely to make positive comments about the bank to my friends and relatives

Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree

In the near future, I intend to use more of the services offered by the bank

Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree

If the bank were to raise charges for the services it offers, I would still continue to be a customer or employee of the bank

Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree

If a competing bank were to offer better services, I would switch

Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree

As long as I live in this area, I do not foresee myself switching to a different bank

Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree

I am concerned about the well-being and prosperity of this bank

Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree

M. Overall Customer Experience

Overall perception of my experience at the bank is positive

Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree

I feel the bank offers me more than just products and services, but an experience

Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree

I am delighted about doing business with my bank

Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree

N. Demographic profile

Gender

Male	Female

Age

Under 18	18 - 30	31 - 40	41 - 50	51 +

Race

Black	Coloured	Indian	White

Education

High School Education	Matric Certificate	Diploma / Certificate	Degree / Honours	Masters Degree	Doctorate



Monthly Income

R 2000 - 4000	R 4001 - 7000	R 7001 - 10 000	R 10 001 - 15 000	R 15 001 - 20 000	R 20 000+

Province of residence

Gauteng	Western Cape	KZN	Free State Provice	Mpuma- langa	North West	Northern Cape

Eastern Cape	Limpopo