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THE ROLE OF MULTI-LEVEL CUSTOMER RELATIONSHIP MANAGEMENT IN SATISFACTION AND CROSS-SELLING IN THE SOUTH AFRICAN BUSINESS-BANKING SECTOR

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Isaiah 43:18-19

[18] "Forget the former things; do not dwell on the past. [19] See, I am doing a new thing! Now it springs up; do you not perceive it? I am making a way in the wilderness and streams in the wasteland."

ABSTRACT

The financial meltdown that started in 2008 has had a severe influence on financial institutions worldwide. Financial sectors, and especially banks, were impacted severely due to bad debts that reached record highs. During this period, it became clear that banks will have to review their client-service strategies, as well as the way that income is generated from their clients. One way is to increase the income earned from existing customers by cross-selling more products to these clients. To increase the income earned from clients by improving the amount of products sold to clients, banks need to retain their client base.

In most South African business banks, a customer relationship management (CRM) process is followed. CRM has become an important part of relationship banking; and it plays a significant role in customer acquisition and maintaining a profitable business relationship. Despite much research on cross-selling and satisfaction, no study seems to provide a clear indication on the role of CRM in providing customer satisfaction and cross-selling in the South African business-banking sector.

This study will attempt to determine the role of CRM in satisfaction and cross-selling in business banking. For this purpose, the client base of a commercial bank in South Africa will be utilised. The study will focus on business clients in the small, medium and large sectors of the bank. The purpose of this research is to determine the role of multi-level CRM in satisfaction and cross-selling in the business-banking segment.

The research objectives driving this research are:

- To determine whether those segments serviced through different CRM processes experience different levels of satisfaction;
- Investigating whether those segments with higher levels of satisfaction show more cross-selling;
- Discovering whether those customers exposed to CRM over longer periods of time have higher levels of satisfaction;
- Assessing whether those segments serviced through higher levels of CRM result in higher levels of cross-selling;

- Determining whether customers exposed to CRM over longer periods of time demonstrate a higher cross-selling propensity;
- To investigate whether customers with high levels of cross-selling have a greater likelihood to recommend their bank to others;
- To determine whether a higher likelihood to recommend within segments shows higher levels of cross-selling;
- Assessing whether segments differ in their likelihood to recommend their bank to others; and
- Investigating whether customers with a longer bank relationship have a higher likelihood of recommending their bank to others.

To execute the research, relevant secondary databases need to be sourced. The first database was from a research company, which conducts research for the bank in scope; while the second database would be from the bank in scope's warehouse. After evaluating the databases for the relevance and quality of the data, the databases were combined into a final dataset – for the purpose of data mining – to address the research objectives.

The population for this study consists of small, medium and large business clients of one of the banking groups in South Africa. The results indicated the existence of significant differences between these business segments in terms of their satisfaction experienced; and they confirmed an association between the length of a customer's relationship with the bank and his/her level of satisfaction experienced.

When considering cross-selling and the likelihood to recommend, the results also demonstrate that a positive relationship exists between customers as regards their cross-selling ratio and the likelihood to recommend their bank.

The findings from the study should guide managers to distinguish between the satisfaction experienced and the cross-sales generated by the CRM structures used in specific segments in business banking. The study should contribute to the body of knowledge in CRM and cross-selling by adding to the literature knowledge base.

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CHAPTER 1

BACKGROUND AND OVERVIEW OF THE STUDY

1.1 INTRODUCTION

The financial meltdown that started in 2008 has had a severe influence on financial institutions worldwide (David, Hang & Matos, 2012:389; Theron, Terblanche & Boshoff, 2012:31). Financial sectors, and especially banks, were severely impacted – due to bad debts that reached record highs. The implication is that it also led to a significant reduction in income due to customers who became financially under increasing pressure – as a result of uncertain trading conditions. Banks saw their headline earnings dropping, as both interest and non-interest income plummeted (Gigliobianco & Toniolo, 2009:119). Interest income reduced because less funding was provided to customers as a result of capital restraints and non-interest income because of the lower trading levels of companies, resulting subsequently in less income from bank fees.

The return on assets was found to be associated with well-capitalised banks and lower cost-to-income ratios (Kosmidou, 2008:146). It became clear that banks would have to review their customer-service strategies, as well as the way that income is generated from customers. The lessons learned from this difficult economic cycle forced banks to analyse their customer base to determine which customers are profitable and which are not. The impact of trading losses and lower income levels because of the risk of bad debt during tough economic cycles would have to be reduced by increasing non-interest income. To do this, banks would have to increase the income earned from existing customers by cross-selling more products to these customers (De Young & Rice, 2004:39).

Cross-selling is the practice of promoting additional products and services to existing customers, in addition to the ones a customer currently has (Butera, 2000:14). There seems to be an increased interest by banks in cross-selling – probably due to the

many advantages cross-selling has for banks. Cross-selling to existing customers could reduce the spending on attracting new customers. It also reduces the risk and liability exposure based on the bank's knowledge of the customer (Blattenberg & Deighton, 1996:137).

Selling more products to existing customers also binds the customer to the bank by making it more difficult for the customer to switch to another bank. Additionally, it increases the probability that customers will stay longer with their current bank. To increase the income earned from customers by increasing the number of products sold to customers, banks need to retain their customer base. In most South African business banks a customer relationship management (CRM) process is followed, whereby each customer has a specific relationship manager or banker.

CRM has become an important part of relationship banking; and it plays a significant role in customer acquisition and maintaining a profitable business relationship (Pavatiyar & Seth, 2001:19). In essence, CRM aims to increase the profitability of the customer portfolio. This may comprise many elements, such as customer acquisition, price, cost to serve and cross-selling to customers (Jarrar & Neely, 2002:282).

A successful CRM process should lead to satisfied customers, who in turn, would buy more products. Customers will, after experiencing the service, form an evaluation of their satisfaction in terms of the utilitarian aspects of the service. Evidence suggests that a customer who is more satisfied with a service will have higher subsequent usage levels (Bolton & Lemon, 1999:173).

Previous research studies have addressed a number of aspects on CRM, buying behaviour, and satisfaction, and cross-selling. Bolton and Lemon (1999:171) addressed usage as an antecedent and consequence of satisfaction, whereas Verhoef, Franses and Hoekstra (2001:372) explored the impact of satisfaction and payment equity on cross-buying. Similarly, Mittal and Kamakura (2001:38) investigated satisfaction, repurchase intent and repurchase behaviour. One study focused more on the drivers of customers' cross-buying intentions (Ngobo,

2004:1129). Reinartz and Kumar (2000:17) researched the profitability of life-long customers in a non-contractual setting, while Jarrar and Neely (2002:282) addressed the issue of cross-selling in the financial sector.

The literature section of the thesis will discuss the abovementioned studies and other relevant studies in more detail.

Despite much research on cross-selling and satisfaction, no study seems to provide a clear indication of the role of CRM in satisfaction and cross-selling in the South African business-banking sector. This study will attempt to determine the role of CRM satisfaction and cross-selling in business banking. The study will focus on business customers in the small, medium and large sectors of the bank in scope. The classification of these customers is based on the annual group turnover of the customer. Small business customers have an annual turnover of less than R5 million; medium business customers have an annual turnover of more than R5 million to R100 million; and large business customers have an annual turnover in excess of R100 million up to R2 billion.

The findings should provide bank management with information about the role of CRM structures, the satisfaction experienced, as well as the cross-sales made, in order to reflect on the income generated through cross-selling.

1.2 PROBLEM STATEMENT

It is generally accepted that it costs up to five times more to acquire a new customer than to retain an existing customer (Jarrar & Neely, 2002:283). It is, therefore, essential that one of the main focus areas of cultivating a relationship should be the increase of wallet share of existing customers. Although some research has been conducted on the link between CRM and satisfaction (Verhoef, Franses & Hoekstra, 2000:359), the profitability of life-long customers (Reinartz & Kumar, 2000:17), repurchase intent (Mittal & Kamakura, 2001:131), usage as an antecedent and consequence of satisfaction (Bolton & Lemon, 1999:171), and the profitability of life-

long customers (Reinartz & Kumar, 2000:17), little is known about the role of CRM in satisfaction or cross-selling in the South African business-banking sector.

Customer relationship models used in business banking are considered expensive, as a dedicated relationship banker is allocated to each business customer. It is essential that banks focus on strategies where income can be maximised to obtain the highest cost-to-income ratio possible.

1.3 RESEARCH OBJECTIVES AND HYPOTHESES

The purpose of this research is to determine the role of multi-level CRM in satisfaction and cross-selling in the business-banking sector. The findings from this study could assist banks in their quest to increase income from their existing customer base – as an alternative to obtaining new customers for the same purpose, thereby maximising existing relationships and structures, while at the same time optimising human resources.

The research objectives driving this research can be summarised as follows:

Research objective 1: To determine whether the segments serviced through different CRM processes experience different levels of satisfaction;

Research objective 2: To investigate whether there is a significant difference between small, medium and large business segments with reference to their satisfaction and cross-selling;

Research objective 3: To discover whether customers exposed to CRM over longer periods of time have higher levels of satisfaction;

Research objective 4: To assess whether segments serviced through higher levels of CRM result in higher levels of cross-selling;

Research objective 5: To determine whether customers exposed to CRM over longer periods of time result in higher levels of cross-selling;

Research objective 6: To investigate whether customers with high levels of cross-selling have a greater likelihood to recommend their bank;

Research objective 7: To determine whether a greater likelihood to recommend within segments shows higher levels of cross-selling;

Research objective 8: To assess whether the segments differ regarding their likelihood to recommend their bank to others;

Research objective 9: To investigate whether customers with a longer bank relationship have a greater likelihood to recommend the bank.

Following from the research objectives, the following hypotheses are formulated:

$H_{0:}$ There is no significant difference between small, medium and large business segments and their levels of satisfaction.

$H_{1:}$ There is a significant difference between small, medium and large business segments and their levels of satisfaction.

$H_{0:}$ There is no significant difference between the satisfaction levels of small, medium and large business segments and their cross-selling ratios.

$H_{2:}$ There is a significant difference between the satisfaction levels of small, medium and large business segments and their cross-selling ratios.

$H_{0:}$ There is no association between the length of customers' relationship with the bank and their level of satisfaction.

$H_{3a:}$ There is an association between the length of customers' relationship with the bank and their level of satisfaction.

$H_{0:}$ There is no significant difference between segments in terms of the length of their bank relationship and their satisfaction levels.

$H_{3b:}$ There is a significant difference between small, medium and large segments in terms of the length of their bank relationship and their satisfaction levels.

$H_{0:}$ There is no significant difference between small, medium and large business segments and their cross-selling ratios.

$H_{4:}$ There is a significant difference between small, medium and large business segments and their cross-selling ratios.

$H_{0:}$ There is no association between the length of a relationship and cross-selling ratios.

$H_{5:}$ There is an association between the length of a relationship and cross-selling ratios.

$H_{0:}$ There is no significant difference between customers with high cross-selling ratios and customers with low cross-selling ratios in terms of their likelihood to recommend their bank.

$H_{6a:}$ Customers with high cross-selling ratios are more likely to recommend their bank than customers with low cross-selling ratios.

$H_{0:}$ There is no significant difference in the cross-selling ratios between the small, medium and large business segments' likelihood to recommend their bank.

$H_{6b:}$ There is a significant difference in the cross-selling ratios between the small, medium and large business segments' likelihood to recommend their bank.

$H_{0:}$ There is no significant difference between small, medium and large business segments and their likelihood to recommend their bank.

$H_{6c:}$ There is a significant difference between small, medium and large business segments and their likelihood to recommend their bank.

$H_{0:}$ There is no association between the length of a customer's relationship with the bank and the likelihood to recommend the bank.

$H_{7:}$ There is an association between the length of a customer's relationship with the bank and the likelihood to recommend the bank.

1.4 THE IMPORTANCE AND BENEFITS OF THIS STUDY

This study will aim to determine the role of CRM in satisfaction and cross-selling in business banking. It will provide managers with valuable information on the perceptions of their customers towards the bank in scope's service processes used for small, medium and large customer segments, which are underpinned by CRM principles. The findings from the study will guide managers to a better understanding of the satisfaction experienced and the cross-sales generated by the CRM structures used in specific segments in business banking.

The study could also provide managers with information that could assist them in lengthening relationships and making them as profitable as possible. The study will contribute to the body of knowledge in CRM and cross-selling by offering suggestions on how to channel financial resources and staff – to achieve better output in service delivery. It will also attempt to reduce the gap in South African literature on these topics, and form a basis for future studies.

1.5 DELIMITATIONS AND ASSUMPTIONS

1.5.1 Delimitations

According to Hofstee (2006:87), delimitations explain exactly what a study will focus on, and what falls outside the scope of the study: in other words, what is included and what is excluded. This study has several delimitations related to the context, relationships, literature streams and target population. The study is limited to the business-bank customers of one specific bank group in South Africa. The study will focus on the relationship between business customers and their business bank. This limits the study to a very specific unit within the bank in scope.

1.5.2 Assumptions

An assumption is something that is assumed to be the truth, and without which the research would be pointless (Leedy & Ormrod, 2010:5). A number of assumptions have been identified and are applicable to this study namely:

- The relationship between a business customer and his/her banking-relationship manager is seen as a sales-driven process;
- The principle of providing customers with a relationship manager exists for small, medium and large segments; and
- CRM processes used by the bank in scope are considered to be in place and the measurement of satisfaction and cross-selling provides a measure for CRM.

1.6 DEFINITION OF KEY TERMS

As part of the background to this study, it is essential that certain key terms be explained and defined to put the terminology in context. This section defines several relevant terms used in this study.

Customer relationship management (CRM): Johnston and Marshall (2009:71) define CRM as “a comprehensive business model for increasing revenues and profits by focusing on customers. More specifically, CRM refers to any application or initiative designed to help a company optimise its interactions with customers, suppliers or prospects via one or more touch points.” CRM embodies the ethos and networks used by companies to manage their customer relationships by harnessing the mix of information and communication technologies, e-commerce, data warehousing and data mining, marketing and business-process management – to achieve their strategic goals with their customers (Moutino & Southern, 2010:180). For a more detailed discussion on CRM see Section 2.5.

Cross-selling: Deighton, Peppers and Rodgers (1994:61) defined cross-selling as “encouraging a company’s customers who have already bought its product A to also buy its product B”. In essence, cross-selling refers to the action where more of a

company's products are sold to existing customers. According to Gitman and McDaniel (2008:526), cross-selling requires bank employees to keep in mind that they have the obligation to look for ways in which the bank might better serve the financial needs of its existing customers – and whenever possible, to develop new business for the bank. A more detailed discussion on cross-selling will follow in Section 4.2.

Satisfaction: Satisfaction is a customer's emotional response to his or her evaluation of the perceived discrepancy between his or her prior experience with a product and company and the actual experience, as perceived after interacting with a company and using a product (Vavra, 2002:5). Hill, Roche and Allen (2007:32) define customer satisfaction as "a feeling a customer has about the extent to which his/her experiences with a company have met his/her needs".

A more detailed discussion on satisfaction is in Section 3.2.

1.7 THE LITERATURE REVIEW

1.7.1 Customer relationship management in a banking environment

1.7.1.1 <u>Introduction to customer relationship management</u>

CRM is an important trend in relationship marketing; it is based on the concept of a company's efforts to develop long-term mutually beneficial links with its customers (Du Plessis, Jooste & Strydom, 2005:103). In the current challenging economic environment, the profitability of customers and services by their bankers is essential for any ongoing mutually beneficial relationship. Companies adapt their strategies to become more customer-focused by trying to optimise both customer satisfaction and profits (Du Plessis, Strydom & Jooste, 2012:534).

The worldwide economic downturn that started in 2008 has had a significant impact on the income levels of banks, because of the increase in bad debt, and lower non-

interest income – as a result of the reduced turnover by customers. From a banking point of view, a long-lasting relationship with their customer base is imperative. CRM helps companies to unlock the full value of their relationship assets, accelerating revenue and profit growth (Kennedy & King, 2004:36).

CRM is defined as "an approach where the seller fine-tunes the marketing effort with information from a detailed customer base" (Perreault & McCarthy, 2002:84). This definition focuses on the way of marketing or selling through CRM – with an emphasis on information and customer detail. Gray and Byun (2003:41) state that "CRM is a customer-centric approach; and it focuses on the long-term relationship with customers"; while Stringfellow, Nie and Bowden (2004:45) define CRM as "understanding customer needs and leveraging that knowledge to improve a company's long-term profitability".

These definitions support the more recent view of CRM that emphasises the improvement of profits though CRM over a period of time.

Du Plessis, Jooste and Strydom (2012:105) describe CRM as a four-stage process, called the CRM business cycle. The first stage is the acquisition and retention of the customer. In this stage, there is an active drive to acquire customers. The focus is on growing the customer base and retaining the existing customers. The second stage relates to understanding and differentiating. During this process, the customer's needs are analysed to seek the correct solutions for their business requirements.

Customers can also be differentiated on the basis of their needs, their respective characteristics, as well as their behaviour. The third stage is that of developing and customisation. At this stage, different products, services and channels are developed to meet the customer's specific needs. The company also delivers a customised-support system to the customer. The final stage is that of interacting and delivering. During this stage, there is interaction between the company and its customers, or prospective customers. Thus, more value is being delivered to the customer, thereby strengthening the relationship between the company and the customer.

Once the four stages of the cycle have been concluded, the process starts all over again – to increase the volume of customers, and to build relationships with customers. As may be seen from the abovementioned, managing a customer relationship on this basis can be very expensive, especially when different divisions are used to analyse and satisfy the customer's needs. In a slightly different approach, Aaker and McLoughlin (2007:199) indicate that the core principle of CRM is that greater profitability can be enjoyed – if lasting and mutually beneficial relationships are created between the company and its customers through a five-stage approach. Their approach is widely based on two trends, namely: that costs can be reduced, and profits maximised, when customers are related to directly. The second stage is that information technology creates opportunities for data mining to sell more products, or to deliver better service to customers.

According to Aaker and McLoughlin (2007:200), the five core stages to the CRM process that can be identified are:

Stage one: relates to the identification of customers and creating a database. The starting point for any CRM process is the creation, maintaining and upgrading of a centralised database. The data can be obtained from several sources; but they should be integrated into a single system. The database should have a variety of information, such as demographics, buying patterns, purchase history, segmentation details, as well as the customer's responses to previous marketing programmes.

The second stage is that of customer segmentation. After the creation of the database, marketers should segment their customers, according to their profitability and/or other bases which are appropriate to their specific business. In banking, customers would typically be segmented according to the business's annual turnover or value of their total facilities with the bank. The income generated would be considered an outcome of the abovementioned two segmentation criteria.

The bank should be able to match the level of service, personal interaction and marketing efforts, according to this segmentation. The third stage is interacting with customers and the building of relationships. After the identification of those

customers who are considered the most valuable for a specific segment, a relationship-building process starts. The purpose of this action is to improve customer profitability, to reduce the level of defection to other companies, and to try to lengthen the relationship with the customer.

In the fourth stage metrics are established. Because CRM offers companies an alternative to conventional marketing strategies, additional metrics are required. The first is the lifetime customer value of the customer (LTCV). This is calculated by multiplying the average revenue from a customer by the average time a customer remains with a company, less the cost of acquiring and retaining the customer. This metric is an excellent management tool, especially when taking decisions on a strategic level regarding direct selling to customers (Reinartz & Kumar, 2000:19).

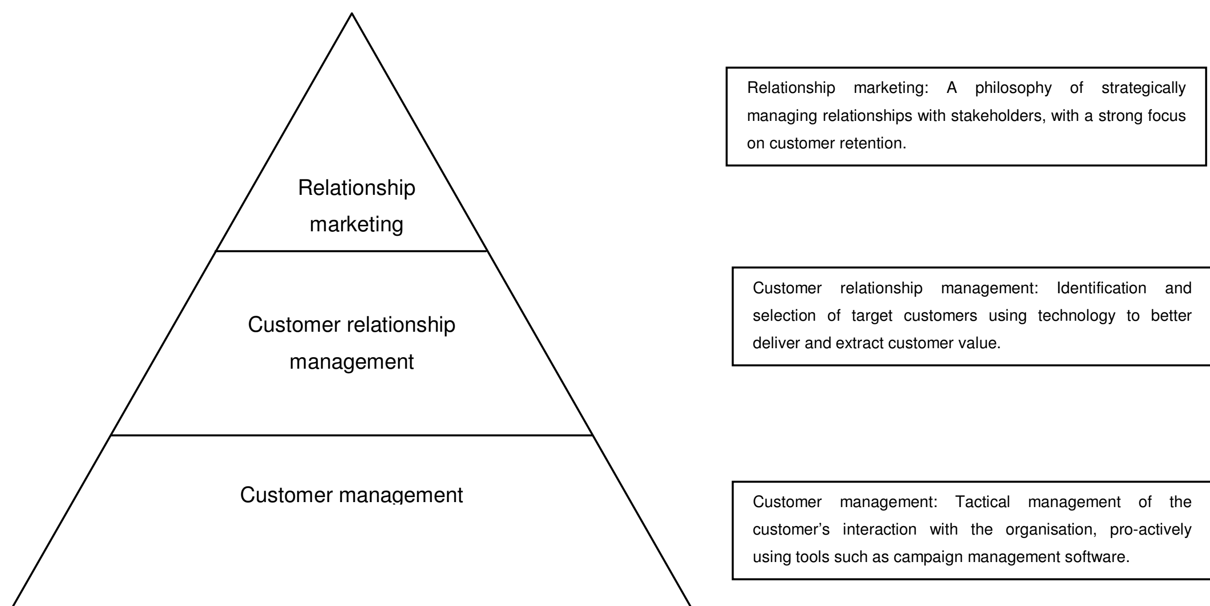
The second metric comprises the customer shares calculated by the customer's spending over a period of time divided by the LTCV. This metric is an indication of how successful a company sells to his or her customer base. Stage five relates to privacy concerns. Customers' privacy and confidentiality of information is a very topical issue, as it possesses the ability to reduce the customer's confidence in a specific company. More regulations are being implemented worldwide to protect customers' information.

The effective execution of a CRM strategy creates a set avenue for the relationship-based selling of banking services and products. Companies must become outward looking and achieve their objectives through customer satisfaction and by developing loyalty (Yorke, 1994:14). This is a long-term and expensive strategy, but if implemented and executed in a structured and orderly fashion, will optimise the relationship-lifetime value of the customer. An effective CRM strategy includes the maximisation of income by cross-selling more and more products and services to the existing customer base.

1.7.1.2 The relationship between customer management, customer relationship management and relationship marketing

To strategically place CRM within the broader marketing and sales process, the question arises as to what exactly the relationship is between the abovementioned concepts. Is CRM part of customer management, and where does it fit into relationship marketing? The relationship between these concepts, according to Ryals and Payne (2001:3) is set out in Figure 1.1.

Figure 1.1: The relationship between customer management, customer relationship management and relationship marketing



Source: Ryals, L and Payne, A. 2001. Customer relationship management in financial services: towards information-enabled relationship marketing. *Journal of Strategic Marketing,* 9(1):3-27.

According to Figure 1.1, relationship marketing and CRM are extensions of customer management, the basis from which it was built. Customer management forms the basis on which CRM was developed; and relationship marketing is a refined method of marketing that naturally developed out of CRM (Ryals & Payne, 2001:13). CRM has increased the reach of relationship marketing by using information technology to access and sell to a broad range of customers.

1.7.1.3 Objectives, advantages and disadvantages of customer relationship management

CRM provides internal formalisation for enabling successful customer marketing and one-to-one marketing; and it has three objectives (Johnston & Marshal, 2009:73; Dayan & Arnolds, 2012:2):

- Customer retention: CRM has the ability to retain loyal customers to grow the business profitably;
- Customer acquisition: CRM provides a structure to acquire the right customers, according to the target market, based on the known characteristics to increase growth and open up margins; and
- Customer profitability: Offering the right products and increasing margins on individual customers should lead to higher customer profitability (Tu & Yang, 2012:2137).

CRM has many advantages that have been used to support mass marketing and target marketing. The advantages of CRM can be listed as follows:

- A reduction of advertising costs;
- The ease of targeting customers by focusing on the needs analysis (Dayan & Arnolds, 2012:2);
- The ease of determining the effectiveness of a specific marketing campaign;
- CRM allows for competing based on service rather than on pricing (Alvandi, Fazli & Abdoli, 2012:2295);
- CRM prevents overspending on low-value customers and underspending on high-value customers;
- It speeds up the marketing cycle of a product; and
- It makes the most of each customer contact, improving the use of the customer channel.

The disadvantages of using CRM include:

- It is an expensive sales model, since a one-on-one relationship process is followed;

- It might be difficult to integrate CRM with other management-information systems (Roberts-Lombard & Du Plessis, 2011:25);
- It can lead to extra costs or problems due to incompatibility; and
- The CRM processes involve human touch; and limiting human interaction reduces its effectiveness (Vella, Caruana & Pitt, 2012:45)

CRM is a process where customer interaction plays a significant role in the sales process, in order to retain customers and increase the lifetime value of these customers.

1.7.2 Customer satisfaction and loyalty

According to Du Plessis *et al.* (2012:98), the single objective of customer management is to increase the value of the company's customer base by managing customer satisfaction. Satisfied customers are the only true assets of a company; and customer satisfaction is the only justification for a company's existence. Information on customers' satisfaction levels can deepen a company's knowledge base, improve the customer-retention level and foster relationships. According to Spiro, Rich and Stanton (2008:290), customer satisfaction is a non-traditional type of performance goal that has become very popular among companies.

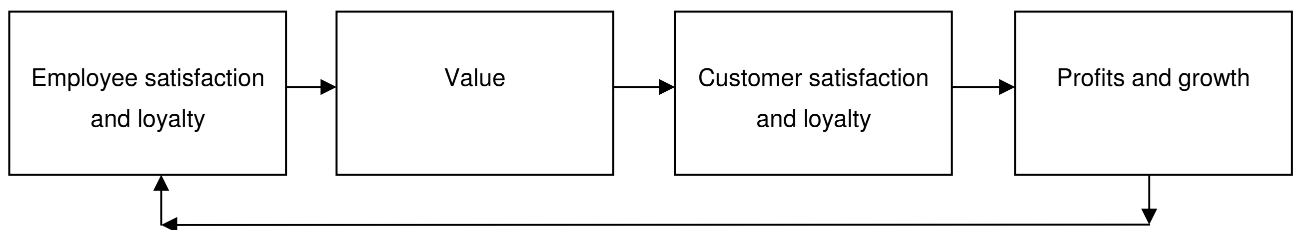
Satisfaction is a customer's emotional response to his or her evaluation of the perceived discrepancy between his or her prior experience with the product and company and the actual experience performance, as perceived after interacting with the company and appropriating the product (Vavra, 2002:5). Hill, Roche and Allen (2007:32) define customer satisfaction as "a feeling customers have about the extent to which their experiences with a company have met their needs".

Figure 1.2 illustrates the service-profit chain, as presented by Du Plessis *et al.* (2005:98). This service-profit chain explains the interaction between employers, employees, employee satisfaction, customer satisfaction and profit. Employee satisfaction and loyalty come first and foremost by delivering value to one's

customers. If a company provides their staff with the correct training and tools, the employees will add value for the customer through service and product delivery. In return, employees will become more productive and require less supervision by their superiors – leading to employee satisfaction and staff turnover.

Service delivery would result in customer satisfaction and loyalty – leading to higher profits (cross-selling) and company growth.

Figure 1.2: The service-profit chain



Source: Heskett, J.L., Jones, T.O., Loveman, G.W., Sasser, W.E. & Schlessinger, L.A. 1994. Putting the service profit chain to work. *Harvard Business Review*, March – April; Du Plessis, P.J., Jooste, C.J. and Strydom, J.W. 2005. *Applied strategic marketing.* Sandton, Heinemann.

The customer experience through the service-profit chain is a step beyond customised service, and like the product and the service, it requires design and management (Moutino & Southern, 2010:183). When designing a customer experience one should aim to exceed those expectations that really matter to customers. Through CRM, those parts of the customer-value proposition and experience that are crucial, can be established, in order to add value and provide customer satisfaction (Srijumpa, Chiarakul, & Speece, 2007:177).

Defections by customers have a powerful impact on the bottom line; as a customer's relationship with the company lengthens, profits rise (Reinartz & Kumar, 2000:17). They also state that customers who have long lifetimes and who generate high revenues, represent the most valuable customer segment to the company. Loyalty might lead to increased profits over time, if there is a forged ongoing relationship. According to Mittal and Kamakura (2001:131), satisfaction (as per service profit chain) can be linked to repurchase behaviour.

As a result of this, managers may conclude that the relationship between satisfaction and re-purchase behaviour is very important, ensuring the focus on customer satisfaction.

1.7.2.1 Customer satisfaction and cross-selling

When dealing with CRM and satisfaction, there are certain questions that have to be asked, in order to create context and position thinking around these aspects. The question arises: Is customer retention in itself sufficient to ensure value creation due to the longer lifespan of a customer? Or, would the implementation of a CRM strategy enhance the value of the customer? Also, does satisfaction with a supplier lead to increased cross-buying? Verhoef *et al*. (2001:372) state that satisfaction with existing services does not necessarily lead to the purchase of new services; however, lower levels of satisfaction may result in the abandonment of those services already purchased.

The value of customers of a multiservice provider resides in the amount of products purchased, the level of use, as well as the lifespan of these customers. For the abovementioned reason, it is essential for bankers to create value through cross-selling in a customer relationship strategy. The dynamic nature of customer relationships is especially important in service industries that continuously provided services, such as public utilities, health care and financial services. In these kinds of industries, customers choose future service-usage levels on the basis of their evaluations of their current service experiences (Bolton & Lemon, 1999:171).

These service-usage levels will have a severe impact on the long-term profits of a company. Customers will decide how much to use a specific product or service in the future – by considering how resources are currently exchanged within the provider-customer relationship (Bolton & Lemon, 1999:173). After utilising the service, the customer forms an evaluation of his or her satisfaction within the utilitarian aspects of the service. Customers that are more satisfied with the service would have higher subsequent usage levels.

Customers that have high levels of cumulative satisfaction with a continuously provided service in the current time period would have higher usage levels of the service in subsequent time periods (Perkins-Munn, Aksoy, Estrin & Keiningham, 2005:247). They also indicate that there is a significant relationship between customers' assessment of payment equity and satisfaction. If customers believe that the service or product that they are buying is value for money, they will experience higher levels of satisfaction, thereby leading to increased sales.

1.7.2.2 Customer loyalty and repurchase behaviour

Customer loyalty is a two-dimensional construct consisting of the degree to which one feels loyal towards a product, brand or service provider, as well as the degree to which one repeatedly selects a product, brand or service provider (Moutinho & Southern, 2010:20). The behavioural definition of loyalty would mean that one is willing to pay a premium for brand A over brand B, indicating that customers are loyal to a company if they buy from it – and then continue buying from it (Peppers & Rodgers, 2004:57).

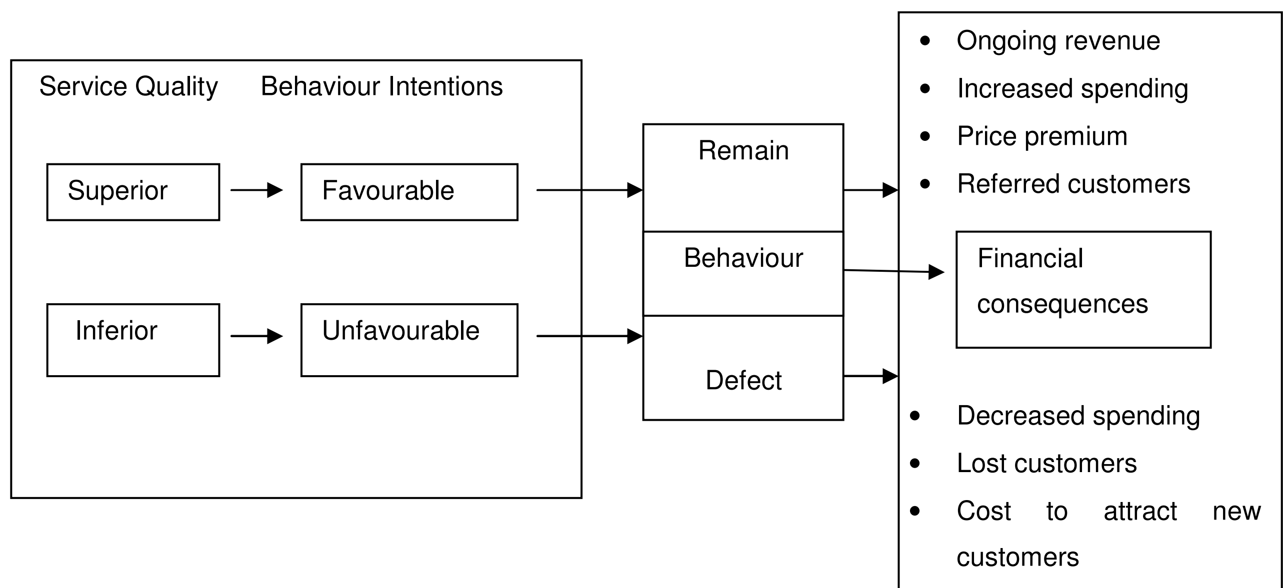
Customer loyalty is critical in the CRM process, as customer loyalty results in repurchase behaviour, increasing the probability of cross-selling to customers. Repurchase behaviour manifests as an attitudinal state called loyalty. This is an attitude that a consumer has about a service or product that leads to a long-term relationship and customer retention (Allan, 2004:14).

Service quality is addressed in detail in Section 3.3, but to provide some perspective thereon, the behavioural and financial consequences of service quality and loyalty are set out in Figure 1.3. The process starts with the customer's assessment of service quality; and it posits that when service is perceived to be superior, the behaviour is favourable – resulting in a customer staying longer with the company, referring customers, increasing spending and generating ongoing revenue. When a service is perceived to be inferior, behavioural intentions become unfavourable – resulting, in decreased spending, defection and additional costs needed to attract new customers.

There are three general rules regarding customer loyalty, which are important for any company (Reichheld, 1996:63). These three rules are:

- There are some customers who are more loyal than others, regardless of with whom they are dealing. These customers are inherently predictable and prefer stable, long-term relationships over instability and switching;
- Some customers are more profitable than others; they require less service or advice; they pay on time; and they spend more money on one's product or service; and products and services will be more valuable to some of one's customers than are those of the competitors.

Figure 1.3: The behavioural and financial consequences of service quality and loyalty



Source: Zeithaml, V. Berry, L.L., & Parasuraman, A. 1996. The behavioural consequences of service quality. *Journal of Marketing,* April *(60)*,2, p33.

The more customers a company can acquire that fit the abovementioned criteria, the better the chance of retention and loyalty, as well as the possible increase in income. This strong relationship that the company develops with its customers is the only true source of sustainable, competitive advantage to outperform their competitors (Anderson & Mittal, 2000:108). It is becoming imperative that companies build

stronger relationships with their customers, in order to protect their market share from competitors.

These relationships can only be sustained over a period of time through transparent and trustworthy partnerships, and mutually beneficial interaction.

There are several advantages to increased customer loyalty, namely: repeat sales, referrals leading to increased revenues and market share, increased employee satisfaction due to superior service delivery, and lower operational costs (Alejandro, Souza, Boles, Ribeiro & Monteiro, 2011:36). Customers may also stay longer with a company to which they are loyal, a company that is competitive and provides value to customers.

To maximise the possible benefits to be gained from satisfaction and loyalty experienced during the CRM process, companies should aim to increase their income through cross-selling.

1.7.3 Cross-selling in the financial sector

Cross-selling is defined as, "encouraging a company's customers who have already bought its product A to also buy its product B" (Deighton *et al.*,1994:61). In essence, cross-selling refers to the action where more of a company's products are sold to existing customers. This viewpoint is also supported by Khurana (2010:91), who defines cross-selling as, "the sales technique of selling additional products to existing customers".

Information-based CRM and cross-selling are growing trends in banks (Jarrar & Neely, 2002:283). The attraction and retention of a company's most valued customers is at the heart of the CRM programme. It is generally accepted that it will cost a company five times more to acquire a new customer than to retain an existing one (Wreden, 2007:26). Based on this cost, it is logical that the cultivation of existing customer relationships – with the intention to increase the wallet share of existing customers – should form one of the basic principles of CRM.

Banks that have invested in CRM programmes and systems can provide a one-stop shopping experience to their customers. The intention of this CRM programme is to commit the customer for life, in order to lengthen the relationship time span (Roberts-Lombard & Du Plessis, 2011:24). As a result of the current worldwide economic climate, competition is becoming fiercer, with cross-selling becoming an important substitute for conventional methods of mass marketing (Deshmuck, 2012:2).

An added value of cross-selling is the fact that buying additional services from a bank creates multiple relationships between the customer and his or her bank, increasing the switching cost to another supplier, and therefore increasing the exit barriers. Cross-selling also reduces advertising costs, and gives the bank a cost advantage. In order to achieve the abovementioned, financial institutions, like banks, are pressured to be more customer-centric and to develop successful CRM strategies (Liu & Wu, 2008:497).

Selling is a process; it has a beginning and an end. The process of cross-selling is also a process, and consists of five steps (Ritter, 1993:79). The first is customer analysis, determining the current usage of products and the needs the customer may have. The channels through which selling can take place must be analysed. The second is that of potential estimation. During this step, the potential of selling additional products to a specific customer is determined.

This is also the stage where the potential income that a customer can generate is determined. The third step is one of action planning, whereby the products and services required by a customer are identified. In this step, the presentation of the proposed solution to the customer is specified, in order to increase the probability of acceptance. Here the typical marketing mix of product, price, promotion and place should be taken into account when structuring a solution.

The fourth step is that of realisation. When an appropriate solution is found – in order to satisfy a customer’s need – this solution is offered to the customer (realisation). The final step is that of controlling, where the solution is rolled out, and the services are used by the customer. The success of cross-selling depends on factors, such as

training staff, the promotion of products and services, the transfer of knowledge between departments, as well as teamwork (Ngobo, 2004:1130).

Cross-selling also requires the acceptance of the products and services of the service provider. Ngobo (2004:1149) addresses four main areas impacting on cross-selling from the sales point of view, or cross-buying from the customer's point of view. The first area entails the role of service experience. Perceptions of quality are positively associated with repurchase intentions, when customers experience that the product or service they are buying is one of quality, this can lead to repurchases. Customers that are satisfied with their product or service are also more likely to buy more products. Customers that are satisfied with value and quality are also more satisfied with their experience. The second area is that of the customer's willingness to maintain the relationship. There is a positive correlation between a customer's repurchase intentions and switching to another service provider.

The third area is about the benefits of one-stop shopping; customers who perceive their service provider to be a one-stop service for all their needs will buy more products or services. The last area includes the customer's evaluation of the company's ability to offer more services: should customers have a negative image of the company's ability to deliver a quality product, to satisfy their needs and to offer convenience this will result in reduced cross-selling levels.

It is not easy to persuade customers to cross-buy different products and services from the same provider. The re-purchase of products and services is unlikely to occur if customers are not disposed to buy other products and services from that same provider (Ngobo, 2004:1129). If banks want to be successful with cross-selling, the process has to be implemented as a strategy of selling a holistic solution to a customer, rather than pushing products merely to increase sales. According to Jarrar and Neely (2002:284), customers will gravitate towards those providers who can blend financial services into one compelling value proposition.

Should customers use more products, switching costs increase substantially, thereby enhancing customer retention and resulting in increased profitability. Kondabagil

(2007:200) states that the objective is to determine for selected customers what they need from their relationship with the bank, and then to meet that need.

The intention of cross-selling is to increase a company's wallet share of a specific customer (Reinartz, Thomas & Bascoul, 2008: 6). Many broad-based financial institutions, including banks, are trying to increase the income earned, and to retain their existing customer base by selling more products to these customers over the lifetime of the customer.

Full-scale cross-selling as a strategic focus is a major focus area for many banks. The association between lifetime and profitability has found considerable support in marketing, supporting the point of view that selling products with a holistic view is of the utmost importance (Reinartz & Kumar, 2000:32). It is, therefore, essential that customers remain satisfied with the services received, in order to cross-sell them, and thereby increasing the income stream of the bank. Cross-selling requires acceptance by the customers; if customers are not willing to buy different services from the same provider, cross-selling will not occur.

In order to cross-sell successfully, customer loyalty must be developed. The influence of prior experience with the service provider does not always guarantee cross-buying (Ngobo, 2004:1129). This means that competitive banks with similar services can easily target a customer and open the door to switching providers. Behaviour-driven solutions are an option that banks can follow when implementing cross-selling strategies. Behaviour-driven solutions recognise the changes in individual customer behaviour; and they are designed to drive their offers, based on such solutions (Caplan, 2001:104).

When using behaviour-driven marketing, bankers can track customers' activities and use the data to cross-sell more effectively. Behaviour by bank employees also plays a huge role in the cross-selling process. The easiest opportunity a bank has to cross-sell to a customer is when accounts are opened for the first time. Establishing a mindset of determining what products a customer needs when an account is opened

is a very simple method of motivating employee behaviour and capitalising on this crucial intervention.

1.8 RESEARCH DESIGN AND METHODS

1.8.1 Broad research design

Cooper and Schindler (2008:141) listed several research descriptors that can be applied to a research design. Formal studies, like the abovementioned, aim to test the different hypotheses and to meet the research objectives at hand. The study uses quantitative data to conclude the findings; and it is, therefore, considered empirical by nature (Mashek & Yost Hammer, 2011:35). The researcher has no control over the variables (in the sense of manipulating them) and can only report what has happened, resulting in an *ex post facto* design. The research has a descriptive design and the purpose is to determine the possible role that CRM plays in satisfaction and cross-selling in the business-banking sector (Mouton, 2001:152).

The study will be statistical in nature; and it will attempt to represent the population's characteristics. Any generalisations of the findings will be based on the representativeness of the sample and the validity of the research design. The research will be conducted through database mining by using two databases. The first database will be collected from a well-known research company, which collected information on behalf of the bank in scope. A cross-sectional study was carried out by the research company over a three-year period; and this will represent a snapshot of a moment in time.

The second dataset was collected directly from the bank in scope's data warehouse. After evaluating the databases for relevance and quality of data, the databases will be combined into a final dataset for the purpose of data mining – to address the research objectives – by testing the hypotheses.

The study aims to provide a better understanding of the role of CRM in satisfaction and cross-sales on different business levels within business banking.

1.8.2 Population, units of analysis and data analysis

1.8.2.1 Sampling design

A population is the total collection of elements from which a researcher wishes to make some inferences (Cooper & Schindler, 2008:374). The target population for the proposed study consists of customers classified as small, medium and large business-bank customer segments of one of the banks in South Africa. The classification of these customers is based on the annual turnover of the customer. As mentioned in the beginning of Chapter 1, small business customer segments have an annual turnover of less than R5 million; medium business customer segments have an annual turnover of more than R5 million to R100 million; large business customer segments have an annual turnover in excess of R100 million up to R2 billion.

This specific population was chosen, since it represents one of the most business-active segments in the business community, and should provide a clear perspective on the research objectives at hand.

The researcher obtained access to two databases: one from a well-known research company, which conducts research for the bank in scope; and another from the identified bank's data warehouse. The researcher will evaluate the research company's database in terms of relevance and data quality; after which it will be supplemented with data from the warehouse's database. Once the two databases have been combined, the new dataset will be used for the data analysis.

The database from the research company was compiled by using a probability sampling approach by way of the stratified random-sampling technique, based on population specifications. Probability-sampling methods are chosen where every item in the universe has a known chance of, or probability of, being chosen for this sample (Du Plessis *et al.,* 2012:176). The sample frame used by the research company consisted of existing listings of customers defined as small, medium and large business-customer segments of one of the banks in South Africa, and totalled

412 100 customers. The respective small, medium and large customer segments are defined in terms of turnover. The research company used a confidence level of 95%, and an interval estimate of 2 to draw their sample. According to Cooper and Schindler (2008:409), sample size is calculated – based on the data – by making two subjective decisions, namely: deciding on an acceptable interval estimate and the degree of confidence. The realised sample size in the research company's database consisted of 23 322 customers.

1.8.2.2 Data collection and analysis

No primary data will be collected for this study. The data will be obtained from existing databases as mentioned before. The research company's database collected data from the bank in scope over a three-year period, by using a process of computer-assisted telephone interviewing (CATI). CATI uses a computerised questionnaire administered to respondents over the telephone. The data in the bank in scope's warehouse were collected by capturing daily customer transactions, and is thus a transactional record of each business customer.

The final dataset (after supplementing the research company's database with the bank warehouse data) will be prepared in an Excel spreadsheet. The data analysis will be conducted by using a combination of SPSS and CSS Statistica packages. The study will contain both descriptive and inferential statistics to address the research objectives. Data cleaning will be done by using wild code checks and extreme-case checks. The purpose of data cleaning is to identify any omissions, ambiguities and errors in the responses (Diamantopoulos & Schlegelmilch, 2000:40; Cooper & Schindler, 2008:415).

Where necessary, post-coding will be conducted to classify the data into smaller groups or categories. Coding involves assigning numbers or other symbols to answers, so that the responses can be grouped into a limited number of categories (Babbie, 2012:397). Since the research company is assigned to conduct research for the bank in scope, the customers have already been classified as small, medium or large business customers; and no segment coding will be needed.

Inferential statistics will be used to test the formulated hypotheses, to calculate and determine the relationships between different variables, and to draw conclusions based on the data. Inferential statistics will include the estimation of population values and the testing of statistical hypotheses (Cooper & Schindler, 2008:705). The business-customer information will be used to describe the composition and characteristics of the population that is being studied.

Several statistical techniques will be used to analyse the data, including correlational analyses and analysis of variance techniques. In this study, parametric testing was used to test the hypotheses that were based on interval data. Firstly, the analysis of variance (ANOVA) test was used to compare three groups on a variable measured at interval level. Because the test of ANOVA shows only an overall significant difference, Scheffè *post hoc* tests were also performed – to reveal more specific differences between groups on each of the identified attributes.

An ANOVA or one-way analysis of variance uses a single-factor, fixed-effects model to compare the effects of one treatment or factor (Cooper and Schindler, 2008:493). The two-way analysis of variance (ANOVA) test will also be used, and is an extension of the one-way ANOVA test. It examines the influence of different independent variables on one dependent variable. The one-way ANOVA measures the significant effect of one independent variable; but the two-way ANOVA is used when more than one independent variable exists, and multiple observations for each of these variables exist (Howard, McLaughlin & Knight, 2012:463)

The two-way ANOVA cannot only determine the main effect (the effect of an independent variable on a dependent variable, averaging across the levels of any other independent variables) of contributions of each independent variable, but would also identify whether there is any significant interaction effect between these variables. A Chi-square test is also used in this study. It will determine associations between the observed distribution of nominal data among categories and the expected distribution – based on the null hypothesis (Cooper & Schindler, 2008:484).

The Chi-square test is very useful when working with nominal data; and it can be used for higher scales.

The measurement instrument used by the research company to collect the data from the bank in scope's customers was subjected to reliability and validity testing. Gravetter and Forzano (2009:461) state that Cronbach's alpha coefficient is the measurement of reliability (internal consistency) and ranges from 0 to 1, with values of 0.60 to 0.70 deemed to be the lower limit of acceptability. The widely accepted social science cut-off for alpha is 0.70 or higher (Nunnaly, 1978; Streiner & Norman, 2003), with 0.7 being the cut off for this study. Cronbach's alpha measures how well a set of items (variables) measure a single one-dimensional latent construct.

Validity refers to the accuracy of the scale actually measuring what it is supposed to measure, and to the extent to which a particular measure is free from systematic and random errors (Malhorta & Peterson, 2009:316). For a construct with high validity, the items will be closely linked to the construct's intended area of focus. For this study, the main construct is customer satisfaction. The research company developed their measurement instrument and the construct of customer satisfaction, over a number of years. The customer-satisfaction construct has been refined over time, and the validity determined through factor analysis.

The data in the research company's database will, however, be subjected to validity and reliability testing.

Chapter 5 will provide more information on the research process followed in the research study.

1.9 SUMMARY

This chapter has summarised the problem statement and research objectives. It has included a review of the literature. The hypotheses for the study were also set out and the importance of the study was highlighted. The next three chapters will outline the literature for the study. Chapter 2 will present the concept of CRM; Chapter 3 will

discuss the issue of satisfaction; and Chapter 4 addresses some aspects of cross-selling.

CHAPTER 2

CUSTOMER RELATIONSHIP MANAGEMENT (CRM) IN A FINANCIAL-SERVICES ENVIRONMENT

2.1 INTRODUCTION

The marketing of financial services is a relatively recent phenomenon compared to packaged goods, which have been subjected to classical marketing skills and capabilities since the early part of the twentieth century. The highly competitive nature of the global business world is forcing managers to continually search for factors that would differentiate them from competitors; CRM has been identified as such a factor (Ho, 2009:4; Dayan & Arnolds, 2012:2). According to Hoffman, Bateson, Wood and Kenyon (2006:60), the finance industry has experienced growing deregulation, globalisation and consolidation since the beginning of the 21st century.

As countries around the world, including the industrialised and developed countries, have liberated their financial systems, banks have consolidated, in order to achieve cost-effective economies of scale, as well as to increase their offerings to customers. According to Ennew and Waite (2007:6), rivalry amongst financial-service providers has tended to be more collegiate than competitive, resulting in governments playing a major role in the development of financial products and services. Financial products and services are far more complex than packaged goods and regular services; but they are still considered to be a part of the marketing of services.

The purpose of this chapter is to place customer relationship management (CRM) into its theoretical and practical contexts.

2.2 THE SERVICE ECONOMY

According to Hoffman, Bateson, Wood and Kenyon (2006:58), services refer to the “soft” parts of the economy; this includes several sectors, such as: education, health,

financial services, government, information and leisure. The service sector is considered as one of three main categories in any developed economy; the other two comprise the industrial and agricultural enterprises. This rapidly expanding services sector is contributing more to economic growth and job creation across the world, than any other sector (European Commission, 2007).

No country can grow economically without a proper and effective service infrastructure as:

- It is a prerequisite for economic performance;
- It is a prerequisite for development;
- It results in consumer savings, innovation, information and technology transfer; and
- These services contribute to long-term investment in economies around the world.

Banks trade in the financial sector; but they provide services to their customers – making them part of the services economy. Financial services possess unique characteristics, which have to be considered when discussing relationships between customers and financial institutions, such as banks.

Kotler and Armstrong (2010:691) define services as: “An act or performance that one party can offer another that is essentially intangible, and does not result in the ownership of anything. Its production may or may not be tied to a physical product”. According to Ennew and Waite (2007:52), financial services are concerned with individuals, companies and their finances. Financial services are directed specifically at customers’ intangible assets, their money and their wealth. The term financial services is often used in a broader sense to cover a whole range of banking services, such as for example, trade finance, credit cards, venture capital, cheque accounts, foreign exchange and stock trading.

Financial services are designed to meet different customer needs; and they can be personalised if necessary. Financial products usually require formal relationships between the bank and its customers, in order to customise these solutions. More

complex solutions require more formal agreements between the customers and their banks. Because of the variety of products and services, there may be considerable marketing issues that could arise when promoting these (Ennew & Waite, 2007:52).

Certain financial products and services are short-term by nature (for example, the selling of stocks or short-term loans); while other are long-term (such as mortgages). Financial products may also have different levels of complexity; a basic savings account would differ substantially from any structured trade-finance transaction. Customers differ in terms of their need for these specific products, as well as their knowledge levels of the applicable products.

The decision of what products and services to buy is usually the responsibility of the decision-making unit within the small, medium or large business segment company; and this is influenced through the process of business-to-business marketing (B2B) (Blythe & Zimmerman, 2005:16). These decision-making units affect the following categories of members (Blythe & Zimmerman, 2005:17):

- Indicators: Individuals who recognises the problem;
- Gatekeepers: Individuals who control the flow of knowledge;
- Buyers: Individuals who negotiate the final deal;
- Deciders: Those who make the final decision;
- Users: People who will use the product; and
- Influencers: Individuals who influence the deciders.

The B2B process evolves through five different phases. These stages represent a major phase during the relationship; and they can be described as follows (Dwyer, Schurr & Oh, 1987:15):

- Phase one, awareness: During this stage the different parties acknowledge the value of the other party;
- Phase two, exploration: This refers to the consideration of obligations, benefits and burdens of possible business exchange; and it is characterised by a period of attraction, communication and bargaining, power, justice, norm and expectations development;

- Phase three, expansion: This refers to the continual increase in benefits by the B2B partners;
- Phase four, commitment: In the commitment phase, there is an implicit or explicit pledge of relational continuity between the relevant partners; and
- Phase five: dissolution: This is the possibility of disengagement that has been implicit throughout the development and the whole course of the relationship.

The B2B principles are also involved during the CRM process, as this overlaps some of the CRM processes and assists in increasing profitability (Latusek, 2010:210).

Due to the variety of financial services available, it is difficult to apply all marketing strategies in each instance. Being able to understand the challenges that financial services present, and being able to create sensible solutions to fit each customer and situation, may be considered to be an art. Using a CRM plan is a creative option assisting in providing solutions for customers more effectively in a very complex and challenging environment (Fournier & Avery, 2011:64).

2.3 DIFFERENCES BETWEEN GOODS AND SERVICES

Financial services are part of the service sector; and they, therefore, differ from physical goods. Services are classified as experiences or processes; and they are not physical by nature. For example, a bank account cannot be owned in the same way as can a pair of shoes. The services that banks deliver represent the customers' rights to various financial transactions undertaken on their behalf by the account provider. These services can be compared to holiday tickets that give the right to an experience, which includes transportation, accommodation and leisure activities (Ennew & Waite, 2007:53).

It is obvious that despite the signs of ownership, financial services are not possessions in the conventional sense of the word; but they merely entitle the customer to certain rights. Although the element of service can be recognised when using a physical product, the ownership experience of the product is totally different from that of a mere service.

When using a service, it is the experiential element that leads to the most commonly identified characteristic of services, namely: intangibility (Jordaan & Prinsloo, 2004:13). This means that the service cannot be touched or seen; the costumer can, consequently, not experience the service until the service is consumed. This leads to the next characteristic, namely: inseparability (Lamb, Hair & McDaniel, 2011: 336). Services are produced and consumed simultaneously – leading to the third characteristic, namely: that of perishability, where services cannot be inventoried (Hoffman *et al.,* 2006:42).

The fact that customers have different needs, and that service consumption involves interaction between the customer and the service provider, leads to potential variability in quality, in other words heterogeneity (Jordaan & Prinsloo, 2004:19). The different characteristics of financial services will be discussed in more detail in the next section.

2.4 THE CHARACTERISTICS OF FINANCIAL SERVICES

The previous section briefly outlined the differences between services and physical goods. Reference was also made to the basic features of financial services. This section will elaborate on the characteristics of such services (intangibility, inseparability, perishability and heterogeneity); and it will explore the implications for financial services. There are three additional characteristics, which are specifically applicable to financial services; these are: fiduciary responsibility, duration of consumption and contingent consumption (Ennew & Waite, 2007:55):

2.4.1 Intangibility

The first characteristic of services, and the primary source of difference between physical goods and services, is that of intangibility (Piller & Tseng, 2010:607). When considering services, intangibility is generally cited as the key feature that distinguishes services from products. Services are impalpable; they lack a physical form, and cannot be touched, seen, displayed, or felt in advance of purchase. A customer may purchase a banking service, for example a business loan, but would have nothing physical to show, as a result of the purchase (except the contract).

When considering this from a customer's perspective, it has huge implications, since impalpability and complexity mean that such services are characterised by a predominance of credence qualities. A description of the attributes can thus only be evaluated when the service has been experienced (Pride & Ferrel, 2011:380).

This leaves customers with the dilemma that they do not know what they are going to get when they make the purchase decision. They are also not in a position to evaluate the quality of such a service before the actual transaction takes place. The technical complexity of services, for example, structured finance may hinder the customer's evaluation of the service that has been received; and s/he may, therefore, perceive the purchase decision as risky. Marketers of financial services should pay attention to the different ways through which the buying process can be facilitated (Ennew & Waite, 2007:56).

It would be advisable to provide some kind of evidence or physical representation of the service rendered: for example, a copy of the contract signed with the bank, or a bank statement, since this demonstrates the service as being more tangible. Sales staff must place particular emphasis on the benefits of the service delivered by trying to reduce the perceived risk and ensuring that customers feel less uncertain about the outcome of the service. This can be done by providing testimonials of similar services that have been delivered.

2.4.2 Inseparability

The second characteristic of services is that of inseparability. The fact that service is a process or experience means that services are produced and consumed at the same time. Zeithaml and Bitner (2003:20) state that, whereas most goods are produced first, then sold and consumed, most services are sold first and then produced and consumed simultaneously. In order for a service to be provided, a willing customer is needed. As a customer actively engages with the service provider, the subsequent delivery of such services is often described as an interactive process.

Traditionally, interaction happens face to face, but with the progress in information technology and social networks, services can now be delivered in a totally new way. Because of the interactive nature of services, the way in which service delivery materialises may be just as important to the customer as the service itself. Morin (2010:174) states that being able to respond to what a customer has just said is done by conducting a dialogue, and not by delivering a monologue. Conversation can nurture relationships far more richly than can one-way conversations.

Given the interactive nature of services, there are certain aspects that have to be kept in mind by marketers. Ennew and Waite (2007:58) list the following aspects that have to be borne in mind:

- Ensure that the processes of service delivery are clearly defined and customer-oriented;
- All staff involved in the service proposition have to understand and appreciate the importance of the customer-oriented approach; and
- Develop and identify methods of facilitating customer involvement in a way that would enhance the quality of the service delivered to the customer.

2.4.3 Perishability

The third characteristic of services is that of perishability. Services are produced and consumed simultaneously, which implies that they are also perishable. Services are only produced when customers wish to buy them, since services cannot be produced, warehoused and stored to cater for periods of high demand (Lamb, Hair & McDaniel (2009:352). The perishability of services presents marketers with the challenge of matching supply and demand, while managing capacity. There are specific issues to consider when dealing with perishability (Ennew & Waite, 2007:58):

- Determining the trends and spending patterns, in order to identify the peaks and troughs in consumer demand for specific financial services. For example, credit cards.

- Offering solutions for the managing of the demand for specific services, in order to reduce high and low peaks. An example of this would be offering higher interest rates on cash.
- Assessing whether the allocation of resources can be adjusted, in order to match the fluctuating demand; for example, by employing part-time staff over month ends – when banks are usually busier than during the month.

2.4.4 Heterogeneity

Inseparability of production and consumption lead to the fourth characteristic of services, which is variability or heterogeneity. This characteristic is the result of the high level of labour input required in the service-delivery process (Williams & Bushwell, 2003:90). The variability of services can be interpreted in one of two ways. The first interpretation is that services are not standardised, and that customers want their service to be tailor-made to match their needs. Tailoring financial services can be simple; for example, customising a savings account; or it can be complex – for example, when presenting a customer with financial and tax advice – when structuring a cross-border transaction.

As indicated above, the first source of variability is a result of the response to different customer needs. Processes surrounding the delivery of services have to be flexible enough to adapt to different needs and expectations. An example of this would be banks providing complex products to smaller customers, when presented with the need. Employees have to be empowered, in order to enable them to adapt to the different needs of the customers. In practice, this would mean that staff members who have direct customer contact have to be able to make decisions – based on a delegated mandate if necessary (Ennew & Waite, 2007:59).

The second interpretation of variability is that the experience of the service may vary from customer to customer; or it may vary from time to time – for the same customer. In this instance, the variability arises because of the nature of the interaction between the customer and the service provider; and this can be influenced by external events. The second form of variability is more problematic, as it entails

fluctuations in the level of quality of the services received, rather than the type of service (Needham, Dransfield, Harris, Coles & Rawlinsonn, 1999:81).

These variations occur when customers deal with different staff, or when the same staff member delivers different levels of service due to personal or other circumstances. When addressing the issue of variability, specific attention has to be paid to the specific issues that may impact, such as (Ennew & Waite, 2007:60):

- Motivating, encouraging and rewarding staff for good service, which can be done through internal campaigns emphasising the importance of good customer service;
- Trying to persuade customers to articulate their specific needs in such a way that it would enable the staff to exactly determine the needs and present the right solution and service;
- Services that are not complicated, such as the opening of a savings account, could be delivered by using technology, in order to limit any possible variation in quality; and
- The way in which the service will be presented must be carefully considered; in other words, the financial institutions must inform the customer in detail about the factors that may have an influence on the performance of the service delivery.

In addition to the fore-mentioned characteristics of services, there are three additional characteristics, which are unique to financial services. These characteristics are: fiduciary responsibility, contingent consumption, and the duration of consumption. These issues will be discussed below.

2.4.5 Fiduciary responsibility

According to Ennew and Waite (2007:61), fiduciary responsibility refers to the implicit responsibility, which financial service providers have in relation to the management of funds, and the financial advice they offer to their customers. Although all suppliers of products and services have a responsibility to their customers, in terms of the products and services they deliver, financial services have a greater responsibility,

since they give advice and work with the customers' savings (Ennew, Watkins & Wright, 1995:88).

In South Africa, financial services are regulated by the Financial Services Board (FSB), and in the case of banks, also by the South African Reserve Bank (Kasai & Naraidoo, 2012:126).

When recognising the issue of fiduciary responsibility in financial services, the following matters have to be considered. Firstly, when the segmentation, targeting and position of a customer are done in financial services, it is essential that services are not marketed to customers who are unlikely to be eligible. Secondly, staff involved in the selling of services to customers in this sector must be fully aware of their responsibilities to those customers (McDonald & Rundle-Thiele, 2008:2). For example, they should not sell services or products to customers who do not qualify for them

.

2.4.6 Contingent consumption

Due to the nature of financial services, customers spend money on a service that does not result in any immediate benefit to the customer. Customers are expected to spend money on a service; and sometimes, they will only see the benefit years later. An example of this might be customers investing funds in an investment on a monthly basis. According to Catterall, Maclaran and Stevens (2000:202), the consumption of services is not only driven by functional motives, but also by emotion. Contingent consumption presents huge challenges to the providers of financial services, as they are marketing an intangible product, reducing the customer's current consumption of goods, in order to benefit from this action in the future, or in some cases – never.

Two issues have to be considered when dealing with contingent consumption (Ennew and Waite, 2007:63). Firstly, benefits associated with the delivery of the particular service have to be communicated clearly to the customers. Marketers of financial services should endeavour to present the benefits associated with the

service as tangibly as possible. A banker calculating the net worth of a customer's company after repaying a business loan, and informing the customer of the value, is an example of this. Secondly, flexibility in the product or service design that may increase the attractiveness of the services destined for long-term use should be considered. An example of this would be flexibility in monthly instalments, payment holidays, or bullet payments, when designing a structured financial loan or the using of microchips in bank credit cards (Henry, 2007:140).

2.4.7 Duration of consumption

The majority of financial services are long-term-based by nature, because the customers would make use of them through a relationship-banking model, or they need long-term funding, in order to execute their projects. According to Crouch (2004:24), the service delivery and duration of consumption has a definite impact on the emotions of customers. A long-term relationship creates the opportunity for cross-selling to customers. In order for such cross-selling to be effective, service providers like banks have to deliberately pursue a mutually beneficial relationship. The cross-selling of bank services and products will be discussed in more detail in Chapter 4.

From a marketing perspective, there are certain aspects that should be considered by financial institutions. Ennew and Waite (2007:63) state that the following should be borne in mind:

- Respect the customer's privacy of data and personal information. An example of this would be the limitation on financial-service providers to divulge any information on their customers to third parties without the customer's consent.
- Reward the loyalty of customers when appropriate, and treat valued customers as such. An example of this would be large or corporate customers getting a discount on their transactional costs.
- Manage relationships very carefully. As mentioned, most financial services are long-term based, which can be used to create a long-term, profitable relationship with customers. Customers would prefer to interact with their service provider in a positive environment (Babin & Attaway, 2000:92). These relationships should

be mutually beneficial; but this can only happen if the service provider has a detailed and structured approach to CRM.

CRM can be used by service providers to create a sales structure, where customers are segmented and serviced in relation to their value proposition, as well as their potential. In the next section CRM will be discussed in more detail.

2.5 CUSTOMER RELATIONSHIP MANAGEMENT AS SEEN IN PERSPECTIVE

CRM relates to a variety of solutions for managing sales, as well as customer information. According to Hair, Anderson, Mehta and Babin (2010:58), CRM is a systematic integration of information technology and human resources designed to provide maximum value to customers, and to obtain maximum value from these customers. This means that CRM assists a sales force to match products or services to customers, in order to increase sales and boost business performance. Tanner, Honeycutt and Erffmeyer (2009:96) define CRM as: “The process of identifying and grouping customers, in order to develop an appropriate relationship strategy, so that the company can acquire, retain and grow the business”. Dynamic companies have known for many years that keeping customers satisfied and developing a thorough understanding of their needs is the only way to build a successful business. Adopting this way of thinking is easier for business-to-business organisations, as they have fewer customers and can also stay closer to them.

Hair *et al.* (2010:58) explain that product or service providers approach customers through one of four different strategies: mass marketing, differentiated marketing, niche marketing, and one-on-one marketing. Mass marketing offers the same product or service to the entire market. Small variations are made in the products or services sold; but the main focus is on efficiency in production and distribution to large numbers of customers. This results in the maximising of the bank’s market share, and the minimising of costs – by distributing such costs over a large number of customers (Nunes & Johnston, 2004:204).

Selling through mass marketing can also be done by a relatively small sales force. An example of this would be an ATM card used to withdraw funds. Differentiated marketing means that companies sell to different groups of customers by offering unique products to each group. Kurtz, Mackensie and Snow (2010:280) state that companies that promote numerous products or services with differing marketing mixes designed to satisfy smaller segments are said to practise differentiated marketing.

Differentiated marketing requires a more customised sales effort and greater attention to customer research than mass marketing. Sales staff must be assigned, based on customer or product similarities. The decision between customer or product similarities is influenced by CRM, and the process being followed. An example of this would be dedicated bank staff selling only personal loans to customers. Niche marketing offers a specialised product or product range to individual customers with specific needs. Dalgic (2006:39) states that by using niche marketing, strategic advantages can be developed by targeting specific market segments, based on customer characteristics and unique customer needs, specific products or services to solve specific needs, geographic locations ignored by large companies, lower overhead costs, as well as effective communication. Sales staff in this environment must have in-depth knowledge of the niche market that they serve, as well as the product(s) they offer. An example in the banking environment of this would be the structuring and execution of a trade-finance transaction to large business customers.

Following a one-to-one strategy implies that individual products are matched to individual customers, the result being products being personalised for each customer. A one-to-one marketing is an individualised marketing method that uses customer information to build long-term, personalised and profitable relationships with each customer (Lamb *et al.*, 2007:230). Business banks often use this marketing strategy, in order to customise products or services for individual, business or corporate-customer needs. An example of this would be the branding of corporate credit cards.

Successful one-to-one strategies imply an in-depth and detailed knowledge of the customer. The type of strategy used would have a definite impact on the CRM programme to be followed.

Businesses with large numbers of customers to serve would need to rely heavily on technology in their programme. A good example of this is data mining, which includes purchase dates, type of products, selling price, marital status, employment status and the number of children (Hughes, 1992:14). This information is used when selling to the same customer base in the future. One-to-one marketing needs a higher human component, in order to customise products, which have to be delivered on a personal basis. Before a specific CRM process can be put in place, it is essential that the purpose and position of CRM in the customer-management process be communicated to everybody involved. The strategy used depends on the volume of the customers serviced, as well as the intensity of the relationship model used. The following section will address the intensity of a relationship model by discussing the relationship between customer management, CRM and relationship marketing.

2.5.1 The Distinction between customer management, customer relationship management and relationship marketing

In Chapter 1, the relationship between customer management, CRM and relationship marketing was briefly discussed. Relationship marketing was defined "as a philosophy of strategically managing relationships with stakeholders with a strong focus on customer retention" (Du Plessis *et al.,* 2005:72). CRM was described as the "identification and selection of target customers and the utilisation of technologies, including data-warehousing, to better deliver and extract customer value and customer management, as tactical management of the customers' interactions with the company".

It was also suggested that CRM and customer management both form the basis from which relationship marketing is formed. According to Du Plessis *et al.*

(2005:73), customer management serves to channel and co-ordinate the efforts of relationship marketing and CRM by integrating the service promised into the processes of the larger company. Customer management is thus about finding the right customers, getting to know them, growing their value, and retaining their business in the most efficient way. The way that customer relationship marketing and customer management absorb marketing efforts into the operational structure of the larger company is key to the success of these initiatives. Relationship-marketing activities are enabled by CRM activities in larger companies, and supported in smaller companies (Aksoy, Keiningham & Bejou, 2007: 2). Table 2.1 depicts the constructs and reciprocity between the concepts of customer management, CRM and relationship marketing. The main driving force behind relationship-based marketing projects is the various benefits that a strong customer relationship holds for a company.

Table 2.1: Comparison between customer management, customer-relationship management and relationship marketing

Customer management	**Customer relationship management**	**Relationship marketing**
• Customer satisfaction management • Loyalty-based management • Lifetime value of the customer • Customer value creation • Customer portfolio analysis • Corporate culture management • Organisational process alignment based on customer loyalty drivers	• Customer retention • Customer segmentation • Customer loyalty measurement • Database management • Defection management • Measurement of customer lifetime value • Campaign effective measurement	• One-to-one marketing • Mass customisation • Frequent buyer programme • Customised solutions • Customer-orientated service solutions • Customer interaction • Develop customer contact points • Relationship pricing strategies • Internal marketing • Creating communities around products and brands

Source: Du Plessis, P.J., Jooste, C.J. and Strydom, J.W. 2005. *Applied strategic marketing.* Sandton: Heinemann.

Although relationship marketing places the emphasis on buyer and seller relationships, customer retention, customer lifetime value and customer loyalty, it has to be stated that building relationships over a long time is always challenging and sometimes impossible. Relationship-based marketing should, therefore, be seen as one of the possible strategies applicable to selected industries. CRM as a strategic option can also vary in size, complexity and scope (Lakshman, 2008:8). It can focus on the sales team only, or on the entire company.

Thus, CRM is becoming more popular, backed by business processes and websites dedicated to its very existence. The success of relationship-marketing and CRM forms part of, and has its roots in, customer management. Customer management enables companies to have an interface with customers by changing organisational processes. The main focus of customer management should be to assist strategic changes in a company, in order to change and focus on customer strategies. The description of CRM, as set out in Table 2.1, is considered a point of reference and accepted as the basis of the discussion regarding CRM. Expansion of the CRM concept, as well as different viewpoints on CRM, is set out in sections 2.5.5 and 2.5.3.

2.5.2 The development of customer relationship management

Moutinho and Southern (2010:181) define relationship marketing as “the sum of marketing efforts by a manufacturer, producer or supplier aimed at the establishment, development or maintenance of successful exchanges with a customer over time”. CRM on the other hand, is often identified by the results of a long-term relationship with customers, built on trust and commitment. Commitment and trust are considered key factors, as they encourage marketers to build and foster relationships with their business partners, and to resist chasing after short-term results, instead of long-term benefits (Morgan & Hunt, 1994:22).

The interpretations of relationship marketing have always supported the importance of long-term contractual relationships, as the aim is to deliver products and services

through continuous and ongoing relationships. There is a broad-based view of relationship-based marketing through the mutual exchanges of commitment and collaborative efforts to create value through long-term relationships. Ryals and Payne (2001:6) state that relationship marketing has the dual objectives of attracting and retaining customers as its focus.

The increasing interest in customer relationship marketing has acted as a catalyst for more studies on customer retention, and the impact of customer retention on profitability, as well as the further development of CRM. Dedicated relationship-marketing programmes like CRM develop and build strong bonds; it also influences three important drivers of relationship-marketing effectiveness, namely: relationship quality, breadth and composition (Hutt and Speh, 2009:409); and it is considered a natural outflow from relationship management.

Relationship-marketing activities with internal or external focuses are easily incorporated into the concept of CRM, since relationship marketing's origins are in a business-to-business marketing concept. CRM started with companies trading in value chains, who were forced to work closely together, in order to improve outputs. Business-to-consumer markets adopted the CRM concept rapidly when the focus of differentiation shifted from branding to that of delivering more value for individual customers through the delivery of products and services. The concept became linked with the idea of improving customer loyalty and retention; and it inspired a change in business focus from customer acquisition to development, retention and loyalty, resulting in CRM.

One of the main objectives of CRM is that of locking in high-value customers through the serving of their needs by using reliable information. Hutt and Speh (2009:16) support this by stating that relationship-marketing centres on all marketing activities directed towards establishing, developing and maintaining successful exchanges with customers.

There are five major different conceptualisations of CRM as a process (Zablah, Bellenger & Johnston, 2004: 476). The first perspective on CRM is that it is a buyer-

seller relationship that evolves over time; and it is, therefore, considered a process. CRM, therefore, is party to the creation and leveraging of relationships with players in the marketplace, including channels and end-users (Srivastava, 1999:169). The second perspective on CRM is that it is a strategy, where a customer's lifetime value determines the amount and value of resources to be invested into a specific relationship. Through this strategy, CRM enables companies to invest in customers that are more valuable and minimise their investment in non-valuable customers (Verhoef & Donkers, 2011:189).

The third perspective on CRM is that it is a philosophy where customer retention is best achieved by focusing on customer relationship building, and maintenance, and thereby achieving customer-centricity for the company (Hasan, 2003:16). Another perspective on CRM is that it is the capability of the company where a long-term, profitable relationship only occurs when companies are able to continuously adapt their behaviour towards customers – based on their requests (Peppers, Rodgers & Dorf, 1999:101). The fifth perspective on CRM is that it is a process driven by technology, and that CRM is an interaction between knowledge and management interaction – with the intention to build longer and more profitable relationships.

CRM is the technology that is used to blend sales, marketing and service information systems, in order to build relationships with customers (Shoemaker, 2001:178).

The process of sharing of knowledge with customers encourages dialogue, as well as communication between customers. This, in turn, leads to word-of-mouth communications. The structure and flow of activity in the different channels through which the company and customer interact must be integrated, so that the channels both individually and collectively consistently deliver the value proposed to the customer (Christopher, Payne & Ballentyne, 2007:196).

An effective CRM plan has huge potential and strengths; but when it is executed badly, it can do an enormous amount of harm to the customer base.

It is clear from the above-mentioned that discussions regarding relationship marketing are, for the most part, associated with high-level thinking, whilst CRM and customer management are used in a more practical sense, and require an understanding of the lifetime profitability of different customers or segments, and determining how these could be improved. CRM is a common-sense activity, with origins in the straightforward ideas of direct marketing, business-to-business marketing, sales management, customer service and quality (Moutinho and Southern, 2010:182).

CRM has to be a strategic management idea; and it needs to be applied over many years, in order to be successful. If done over a short period of time it will usually fail.

2.5.3 The Quality-Competiveness Index (QCI) customer relationship model

In Section 1.7.1 the process of CRM was briefly discussed, and it was also entertained in Section 2.5.2. As indicated, it consists of four parts that can be classified under acquisition and retention of the customer, understand and differentiate the needs, develop and customise products and services, and lastly interaction with the customer – including the delivery of products or services. As this is considered a broad-based description, a more refined and detailed model and discussion is needed, in order to fully understand the concept and processes surrounding CRM.

Moutinho and Southern (2010:188) describe the customer relationship model through the Quality-Competitive-Index Model (QCI). This model uses a Customer-Management-Assessment Tool (CMAT) to seek answers to best practice in CRM; and, furthermore, it discusses the CRM process in detail. The processes in the CRM model allow management to effectively drive the whole CRM project, and to determine whether there is a gap between what is believed and what happens in practice (Woodstock, Stone & Foss, 2003: 11).

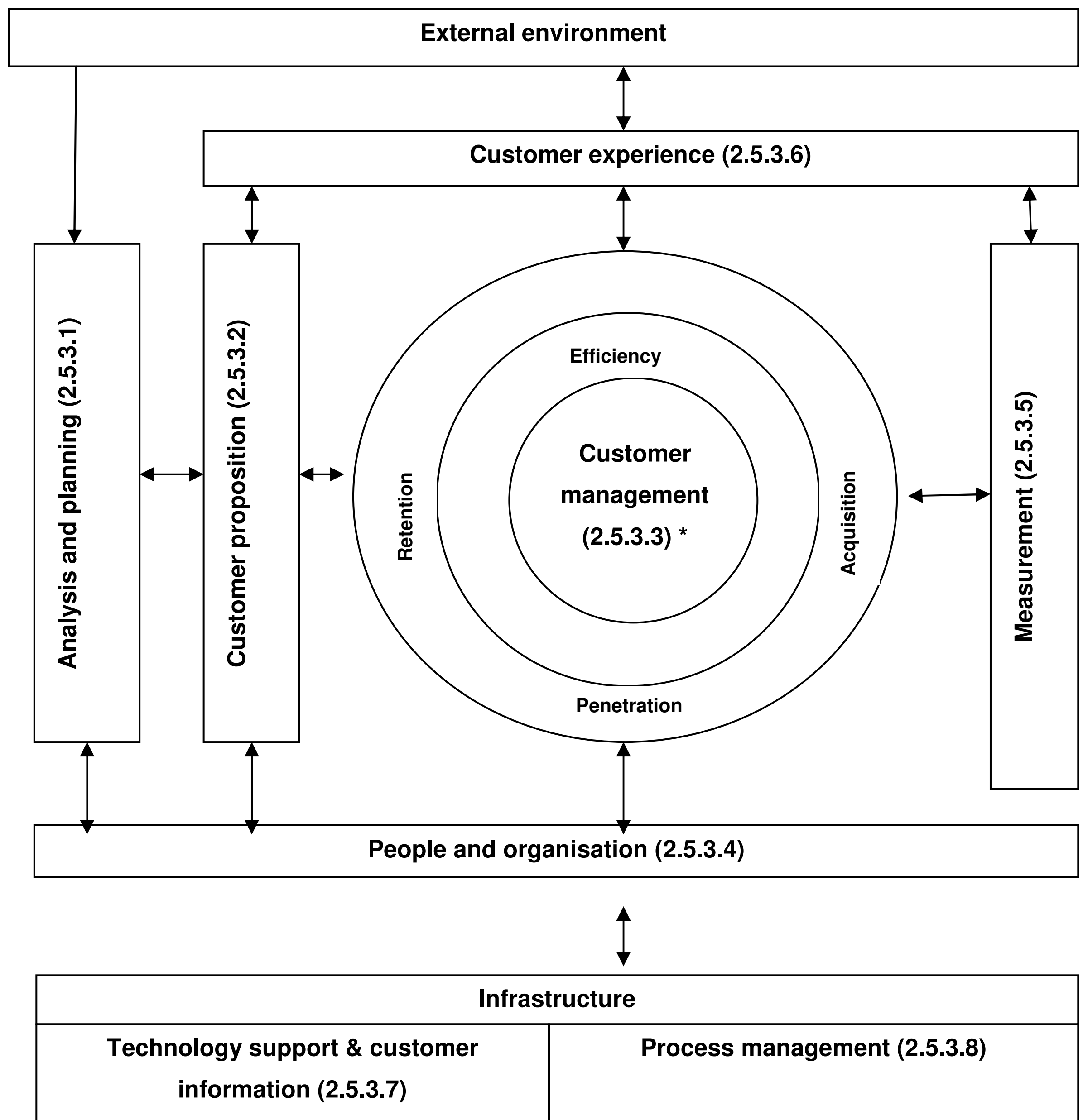
The CMAT model is illustrated in Figure 2.1(a) and Figure 2.1 (b). The model describes the full CRM structure in all its phases – from the initial planning phase up to the customer experience – as well as the measurement phase. It consists of two sections: the first section describes the model and its operations; while the second part of the figure is an abstract of customer-management activity, and gives more detail on this part of the process. The structure and workings of the CMAT model will be discussed in the remainder of this section.

2.5.3.1 Analysis and planning

The first section of the CMAT model addresses the analysis and planning phase. In this phase, the competitive arena, as well as the challenges facing the company, must be determined, in order to identify exactly what the status of the competition is, and how it would impact a company. Financial service marketers have to determine which companies are trying to secure the company's best present and future customers, or simply to increase their share of the business from these customers. This is an essential step, as the competitors are also targeting the same customer base.

The strategic objectives have to be communicated within the financial service company, in such a way that it links up with the ideas of retention, efficiency, the acquisition of new business and the penetration of the customer base through the CRM plan. Raab, Ajami, Gargeya and Goddard (2008:4) state that if best practices are not communicated throughout all the alternative sites, the company loses data-collection ability due to a lack of communication.

Figure 2.1(a): The customer-management assessment tool



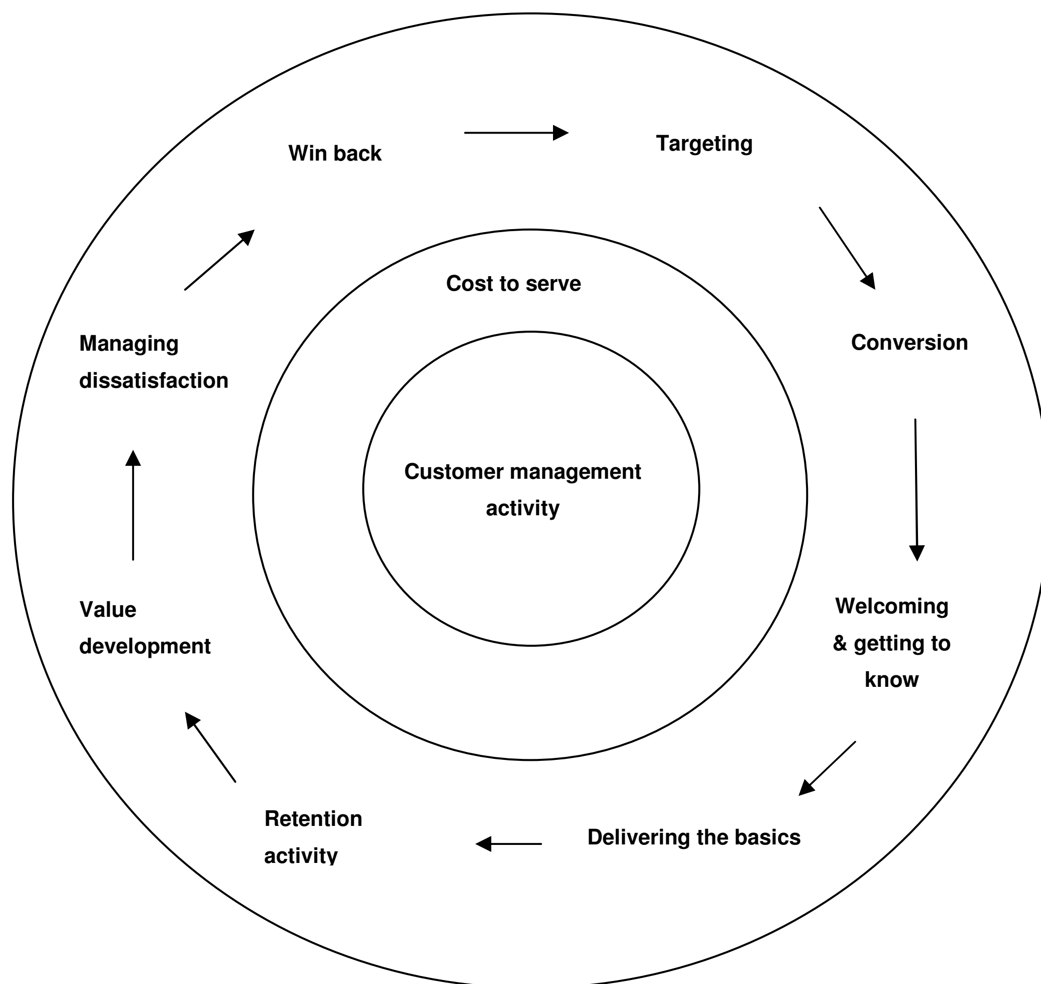
* The detail of customer management (2.5.3.3) is presented in Figure 2.1(b)

Source: Moutinho, M. & Southern, G. 2010. *Strategic marketing management.* Singapore: Seng Lee Press.

All the employees must buy into these objectives, as the concept needs to filter through the company as a whole. The composition of where, and from which customers, the most profit is made also needs to be communicated to all the staff. This will determine where the main focus will be placed; and it would also indicate

whether there are any opportunities that need to be analysed. According to Buttle (2008:228), customer acquisition will always be needed to replace those customers lost to natural attrition. Financial institutions needs to determine how much can be spent on acquisition, on the development and retention of different customers.

Figure 2.2(b): Customer management



Source: Moutinho, M. & Southern, G. 2010. *Strategic marketing management.* Singapore: Seng Lee Press.

The company resources also need to be aligned to the value of the different segments. In this phase, crucial decisions have to be made, in order to match

budgets with customers and potential income. The correct allocation of funds and resources has to be made. The principle is that time and money have to be spent on potential income-generating customers. According to Kincaid (2003:177), the project launch occurs in the strategic planning phase; and during this part of the process, management must be eager to gain knowledge from customers and from staff, as well as from their strategic partners, such as other divisions.

This phase is still the analysis and planning phase, which means that as much knowledge as possible has to be gained from all the parties affected, in order to create a knowledge base that would be able to support the rollout of the process.

2.5.3.2 Proposition development

It is essential to develop a clear and differentiated proposition aimed at the customers that the company wants to target. This proposition will set the scene, and create a clear and definite value proposition for staff to work from and customers to acknowledge. Financial-service marketers have to determine how loyalty can be built between the key value groups. According to Sheth, Parvatiyar and Shainesh (2001:246), companies should focus on customer loyalty rather than just attempting to give satisfaction.

This phase should provide valuable information when determining how far loyalty would stretch between the relevant role players in this process. Management also has to cascade the proposition from high-level brand values, in order to influence the organisational behaviour. Strong values have to be created, in order to guide the behavioural patterns of the staff. Communication to the company's employees, business partners and customers is vital for proposition development. A well-constructed proposition that is communicated effectively could result in the sale of new products or services, or simply improve customer satisfaction (Blomquist, Dahl & Haeger, 2002: 84).

2.5.3.3 Customer management

A practical and efficient acquisition, development, retention and efficiency plan has to be developed to manage the customers. When developing a customer-management strategy, service marketers must develop and measure effective enquiry-management processes that identify possible customers that could increase the customer base and increase the company's profits. The acquisition strategy has to be developed through quantitative and qualitative research (Baran, Galka and Strunk, 2008:346). Customers that have switched from competitors have to be made comfortable and sold on the company's value proposition, products and services delivered and retaining them through creating loyalty (Smith & Taylor, 2004:613).

In the early relationship service-management phase, the focus has to be placed on delivering the basics the first time around and staying close to the customer. The day-to-day relationship with the customer has to be managed by determining the needs, the satisfying of such needs, identifying patterns and managing satisfaction levels of the customers (Alrubaiee & Al-Nazer, 2010:156). Satisfied customers will return, impacting on future profit levels (Buttle, 2008:48). Staying close to customers should enable management to detect possible defections early on, rectifying problem areas.

Win-back strategies have to be developed for customers lost – due to pricing, bad service or other issues that may have resulted in customers leaving the company. When customers can easily switch between companies, this could result in the company focusing on transactional marketing, as opposed to relationship-based marketing (Baran *et al.*, 2007:345). Strategies have to be put in place, in order to limit switching, since the cost of attracting new customers is substantially higher than retaining the existing ones.

2.5.3.4 People organisation

Developing and managing staff is one of the key areas, in order to make a success of a CRM process. According to Sugandhi (2003:130), well-trained staff can make

the difference between success and failure. There are certain issues that should be considered when managing staff. Some of these are discussed below.

- Align the objectives of all the different departments throughout the company to be in unison with a universal focus on a profitable customer relationship programme. It is essential that after implementation of the CRM programme, communication from management to staff must be executed well, in order to establish the conviction to a customer-oriented company (Voght, 2009:33).
- Recruit staff with the right skills and attitude. Ensure a well-designed development programme, in order to grow staff on a continuous basis.
- The incentive and rewards programme must encourage the desired CRM behaviours. According to Colletti and Fiss (2001:200), many companies have traditionally used periodic contests and formal recognition processes very successfully. A balance has to be maintained between encouraging staff, but also creating the right behaviour in terms of servicing and solving the customer's problems.
- Understand how employees' satisfaction and commitment relate to the customer-management programme. Sheth *et al.* (2001:246) state that there is a strong relationship between employee satisfaction, customer satisfaction and share price.

2.5.3.5 Measurement

The level of success achieved can only be determined if it is measured. According to Moutinho and Southern (2010:190), marketers of financial services have to give special attention to measuring customers' behaviour and attitudes towards business and their business activities, in order to determine their impact investment returns. Marketers also need to consider what the influence of different types of media (including touch points and types of media) is on CRM; and they should also be measured. It is vital that financial-service marketers measure and learn from existing campaigns, in order to streamline their processes, and not to repeat the same mistakes made in the past. Measuring performance and profitability is becoming more important in business (Best, 2012:334).

As people form an integral part of the service process, the effectiveness and the efficiency of every individual staff member (who forms part of this process on an ongoing basis) has to be measured.

2.5.3.6 Customer experience

It is important that marketers of financial services have some insight and understanding of how customers respond to the programme, and what their spending patterns are. Service providers have to gain a holistic understanding of performance in so-called individual and combined moments of truth at all customer points and interactions. The results of internal process analysis should, therefore, focus on the customer experience (Peel, 2002:217).

It is also essential that performance be measured relative to competitors in the market, as well as benchmarked against local and national competition (if possible) to determine the effectiveness of the programme relative to that offered by the competitors.

2.5.3.7 Information and technology

Technology is not only one step in the overall approach for successfully implementing CRM; but it is vital for the functioning of all CRM systems (Goldenburg, 2002:72). Marketers of financial services have to understand the priorities and dependencies that support the return on investment from using CRM. Understanding customer-data application, acquisition and maintenance, and how this interacts with the customer relationship programme is important. An example of this would be software that indicates usage of different credit cards by customers, which would increase the visibility of customer data to employees, and strategic partners.

Also the visibility of customer data to customers must be improved by making use of successes to promote sales. An example of this would be promotions, where the benefits of an access facility on a mortgage loan are explained. This function of the process has to be implemented in the customer-management process. Even if

customers do not act on promotions or other cross-selling offerings, it is still establishing their mindset (Dyché, 2002:58).

2.5.3.8 Process

It is important that financial institutions define and integrate the existing CRM processes, and include any propositions made to the customers. They must also proactively manage these processes, to see if the process adds value and if it is successful, to then replicate and improve them. The effective rollout of processes like these would improve the returns on investment and on the expenditure on the CRM process, as well as investments made in staff. According to Mathena, Yetter and Hostetler (2008:20), companies planning to implement CRM for the first time would most probably have developed processes to fit their businesses.

After the initial rollout of a process, the real work starts, as the momentum has to be maintained, and the customers have to be serviced on a continual and ongoing basis.

A structured approach to the customer's management process through CRM provides a strategic sales and relationship model that would benefit the service or product provider with reference to building relationships on a structured basis, while having the option to increase revenue. A CRM process adds value to the management process as a whole; and the contribution made by CRM to management will be discussed in the next section. Certain customers are worth more to a company than others – due to the volume of their business, or their strategic worth. These customers are called key accounts; and the next section will give more insight into the management of such key accounts.

2.6 THE ROLE OF KEY-ACCOUNT MANAGEMENT (KAM) IN CUSTOMER RELATIONSHIP MANAGEMENT

Large volume customers have given rise to a form of sales organisational specialisation that is gaining more acceptance in the marketplace (Blem, 2007:313).

These customers are known as key accounts; and they are large volume customers that may be regionally, nationally, or internationally based. McDonald, Millman and Rodgers (2007:737) define key accounts as "customers in a business-to-business market identified by selling companies as strategically important".

These customers have centralised financial and buying departments that co-ordinate business for de-centralised, geographically spread branches, transcending any territorial boundaries. Key-account management (KAM) is more specific to business-to-business relationships; and it takes the view of the supplier of the product or service taking a proactive stance in the relationship with their customers. Key accounts require that specific management and marketing services be adopted, in order to acquire, develop and maintain these relationships. This might result in these customers receiving preferable service that would differentiate them from other customers.

The criteria for the selection and benefits of key accounts management will be highlighted in the following sections.

2.6.1 Selection criteria for key accounts

The management of key accounts requires substantial investment in terms of funding, as well as people on the basis of their strategic importance (Tanner *et al.,* 2009:143). The allocation of customers to this arena has to be weighed against the costs of implementing a key account-management process. There are several costs associated with the developing of a key-account structure within the CRM model. These include (Tanner *et al.,* 2009:144):

- The hiring and training of specialised sales staff;
- Compensation of this specialised sales team, which is usually more expensive, because of the specialised knowledge required;
- Adjusting the organisational and sales structure to incorporate the key-account team if necessary; and
- Adjustments to and modifications to products or services, if required.

The additional costs should be offset against the expected increase in revenue, additional profita, or the added benefits to the customer (Blem, 2007:313). Key accounts with the highest earning potential should be identified. Customers (new and existing) should be selected in terms of their strategic importance to the company in the current, as well as, future scenarios. The criteria used when selecting these accounts include (Blem, 2007:313):

- Turnover potential;
- Profitability of the customer;
- Geographic proximity of the customers;
- Company image;
- Technological competencies;
- Resource capabilities and company structure;
- Information exchange;
- Quality of products and services delivered and quality control;
- Selling cycles, complexity of financial transactions, and the intensity of negotiations in high capital sales;
- The ability to influence the customer's lifetime value has to be confirmed;
- The business culture, market share, location and contact details;
- The characteristics and capabilities of the relevant staff, such as the main decision-makers in the company;
- A full financial analysis, including a credit check needs to be conducted on the company, in order to determine the financial capabilities of the customer;
- Determine the personality compatibility between the customer and the key account executive; and
- Analyse the history of the customer relationship with the company, in order to determine any previous bad debt or relationship issues.

There are definite benefits in implementing a key account-management strategy. In the following section the benefits of a key-account process will be discussed.

2.6.2 Benefits of key-account management

Suppliers of products and services have a tendency to spread their business over a large number of customers, rather than concentrating on a few powerful companies which could dominate the market (Blem, 2007:314). Disputes with key-account customers could negatively impact any service provider, as the potential losses are very high. As the relationship is managed very intensively, the potential of this reduces significantly. From the supplier of the product or service's point of view, there are many benefits in implementing a key account-management process. These include (Little & Marandi, 2003:185; McDonald & Woodburn, 2007:66):

- An improved understanding of the customer's needs usage and spending patterns, as well as information on the performance of the customer;
- A greater understanding of the market, as well as an increase in flexibility;
- A reduction on costs and increase in value – through better value allocation of resources;
- Improved innovation of products, service and processes due to closer customer co-operation;
- Better managed, and more clearly defined long-term relationships have the possibility of yielding higher returns on investment; and
- An easier to control, standardised approach through a single communication channel.

There are, however, also benefits from the customer's point of view; and these include the following (Little & Marandi, 2003:185; Blem, 2007:315):

- Better and more detailed product information will be received;
- Improved resource inputs, leading to better outputs;
- Improved customer benefits and improved service quality;
- Improved innovation and planning; and
- Reduced mistakes with lower costs.

There are definite benefits in implementing a key account-management strategy. In the following section, the steps to be followed when implementing a key-account process will be discussed.

2.6.3 The five-stage key account-management-relationship development model

McDonald *et al.* (1997:5) developed a five-stage key account-relationship development model. These five stages provide insight into how the key account-relationship building strategy works.

Stage one: Pre-key account management: During this stage the potential key account customers are contacted. These would be customers that show promise of becoming key accounts. Service providers need to recognise potential key accounts from the outset and treat them as such (McDonald & Woodburn, 2007:51). The key relationship is launched at this stage of the process.

Stage two: Early account management: The customer has multiple relationships with other service providers. In order to strengthen the relationship with the customer, the key-account manager will be the only person dealing with the customer.

Stage three: Mid-key account management: A level of trust is being established between the customer and the product or service provider. Although the customer is still dealing with multiple providers, the key-account executive is the provider of choice. The level of sales and courtesy calls is increased.
Stage four: Partnership-key account management: In this state the supplier is accepted as a strategic partner by the customer. Key-account management requires real partnering of suppliers and customers: both have to benefit from this partnership (Wengler, 2006:70).

The relationship is well established; more confidential information is shared and day-to-day issues are solved together.

Stage five: Synergistic key-account management: In this stage the customer and the service provider are closely aligned to deliver value to the end-user. According to McDonald and Woodburn (2011:422), key customers would be those that are aligned to a company's strategy, and would, therefore, make a major contribution to its achievement. Both parties actively interface at all levels and co-develop strategies for going forward.

This five-stage model provided a short summary of the key-account management process. In the next section the contribution that CRM makes to management as a whole will be discussed.

2.7 THE CONTRIBUTION OF CUSTOMER RELATIONSHIP MANAGEMENT TO THE MANAGEMENT PROCESS

If marketers and managers involved in financial services work through the CRM process, they would realise that the future existence of their company is embedded in their customer's current and future levels of satisfaction, as well as the products and services delivered. The take-on cost for a new customer supersedes the cost of serving existing customers by far (Mukerjee, 2007:19). Existing customers can also, when satisfied, do repeat business – resulting in higher sales – without increasing the base cost to a company.

According to Moutinho and Southern (2010:192), companies have to understand that improving customer care through a CRM process may lead to increased immediate and short-term costs, while the financial benefits would only emerge in the medium-to-long term. The results can be measured by setting quantified objectives that measure the impact of a process like this on bottom-line profits after implementing the CRM programme. When considering the cost layout for this process, managers may decide to eliminate certain product or service offerings, in order to cut costs. This would have a direct influence on the marketing mix, as reduced costs would allow for price cuts due to savings made.

An example of this would be more structured and complex products or services (such as structured finance or advanced electronic-banking products and services), which are only available to large business customers and some medium business customers. Such savings can be spent on additional promotion, product improvements, or kept, as direct savings increase short-term profits. However, the lack of availability of certain products or services may open the door to competitors who would take advantage of the situation.

Foss and Stone (2003:289) state that as companies seek to gain efficiencies internally, there is a realisation that there should be more commonality amongst units and countries. The benefit of this is that best practice can be shared; this would also lead to reduced costing. Companies can also decide to implement a no-frills product or service offering that presents a low cost alternative to customers who operate in that space. This would have to be marketed as an alternative to the normal service offering.

An example of this would be a call centre selling bank-insurance products or credit cards.

As the CRM process progresses, one of the toughest challenges management faces is sustaining and improving the levels of customer care and satisfaction, in order not to lose the competitive advantage over other companies. If a company's staff are badly trained, poorly selected, demoralised and unmotivated, they cannot support good service delivery and would be unlikely to be interested in supporting adequate levels of customer care (Lancaster & Whithey, 2007:242). In the long run, customer service is more than just customer care, satisfaction and retention: it is about the serving of customers and leveraging distinctive capabilities to ensure a sustainable edge over competitors, and maximising income from customers.

CRM impacts the relationship between customers and their bank. From a bank's point of view, it is essential that the relationship be as long and profitable as possible. One of the objectives of CRM is, therefore, to increase the lifespan and the

lifetime value of the relationship between the company and its customers. In the next section the lifetime value of customers will be addressed.

2.8 CUSTOMER RELATIONSHIP MANAGEMENT AND LIFETIME VALUE

In order to be successful in CRM, management aims to create repeated sales by customers over a period of time by offering superior value and service to customers. When doing that, customers become more loyal and valuable to companies. Loyal customers ensure future income streams and are considered an asset to every company. According to Hair *et al.* (2010:68), customer loyalty is a function of two components, namely: customer share and customer commitment. The behaviour component of customer loyalty is customer share; and it consists of the proportion of resources a customer spends between suppliers competing in the same sector or subsector (Babin & Attaway, 2000:93).

This component of customer loyalty is tangible because it is based on behaviour and can be measured in terms of spending value. Having a high level of customer share is considered an important component of true loyalty to one's company. Customer commitment, the second component of loyalty is intangible and based on emotion. According to Mouthino and Southern (2010:20), attitudinal loyalty and behavioural loyalty do not always go together. Attitudinal is the degree to which someone feels loyal towards a product, a brand or a service provider; while behavioural loyalty refers to the degree to which a customer repeatedly selects a product or service.

In the absence of alternatives, there may be behaviour loyalty without attitudinal loyalty. Should there be a restricted supply of the preferred alternative required by the customer, there may be attitudinal loyalty without behaviour loyalty. Customer loyalty can be created through a variety of sources; for example, loyalty programmes (like earning voyager miles when using a credit card), excellent service, convenience or locking the customer in through technology when using ATMs or credit card machines. Customer loyalty has a direct impact on the customer's lifetime value.

2.8.1 Calculating the value of a customer

CRM suggests that companies should manage their customer's base differently, based on the value or potential value of the customer. Customers, who are considered high value and generate more income, deserve special treatment. Blattenberg and Deighton (1991:7) suggested that companies should partition their customer bases into behaviourally and attitudinally homogeneous groups that spend at different levels. Although the evidence suggests that there is a positive relationship between profitability and time, it might not be true if the cost of serving the customer is greater than the profit generated by the customer (Reichheld & Sasser, 1990:106).

With CRM, each company should determine how much each customer is really worth. According to Hair *et al.* (2010:68) as well as Rust, Lemon and Zeithaml (2004:1), customer lifetime value (CLV) is a monetary amount representing the worth of a customer to a company over the foreseeable lifetime of the relationship.

The traditional view of determining customer lifetime value suggests that each purchase or sale is a unique and independent event, meaning that the relationship consists of one sale only. According to Jooste, Strydom, Berndt and Du Plessis (2008:73), the value of each customer can be represented by the following:

$$CLV_1 = (R_1 - C_1)$$

The customer lifetime value for Customer 1 is equal to the amount of revenue generated by this particular sale (R) less the cost for serving this specific customer (C). CRM, relational exchange and strategic partnerships are based on the premise that repeated sales would be the result of the sales process. In order to accommodate and illustrate this line of thinking, the basic equation above can be adjusted as follow (Hair *et al.*, 2010:69):

$$CLV_i = \sum_{t=1}^{p} (\mathrm{Rt} - \mathrm{Ct})$$

Where the following applies:

CLV = the lifetime of the customer i
t = the time period
p = the total number of time periods of the relationships
R = the revenue gained from the customer in a time period *t*
C = the cost of the sales and service effort directed at the customer in a time period *t*

As mentioned above, determining the value of the customer is critical within the ambit of CRM. Best in Class (BIC) selling companies assess the potential of their customers in terms of lifetime customer value (Connet, Abratt & Cant, 2010: 19). Knowing the value of the customer would put a company in a position to determine how much time, resources and funds should be spent on acquiring a new customer. Should the cost of the acquisition be too high, it might be better to walk away from that specific customer, and allocate the resources elsewhere. By using this process of customer-lifetime value, the estimated potential value of a customer, the return on investment, as well as whether the customer should be pursued, can be determined.

The payoff received as a result of loyalty can be calculated, and should the customer-lifetime value of all the customers be combined, an estimation of the total customer equity can be made. It is for this reason that BIC companies also refer to the long-term value of a customer as the lifetime value of a customer (Connet *et al.,* 2010:30). This would also put companies in a position to price for effort, thereby creating a specific price strategy for each customer.

2.8.2 Customer equity

The aim of any sales-driven company should be to establish and maintain a long-term mutually beneficial relationship with their most profitable customers (Tanner *et al.*, 2009:100). Such companies would want to deliver high quality and efficient services to customers. According to Jooste *et al.* (2008:378), the fundamental building block of customer equity is customer-lifetime value, defined as the net

present value of all current and future profits generated from a customer over the lifespan of the relationship.

The profits generated from customers can be derived from acquisition, retention and expansion projected, as well as the costs related to these projects. This concept reflects a customer-oriented approach, where the aim is to optimise the investment made in customers.

According to Tanner *et al.* (2009:101), an institution can compute the customer-lifetime value by knowing or projecting the following three criteria, namely: the probability of future sales, future marketing costs and the future contribution margins.

When calculating customer-lifetime value (CLV) there are four steps that need to be executed (Jooste *et al.,* 2008:378):

- **Step 1:** Determine each customer's expected contribution to offsetting the company's fixed cost (in other words calculate the revenue less the cost of sales for the transaction).
- **Step 2:** Determine the acquisition and retention-response rates.
- **Step 3:** Determine the acquisition and retention costs per customer.
- **Step 4:** Use the retention and acquisition rates to compute the customer-lifetime value. Discount these values to reflect net present values of the lifetime calculation.

2.8.3 Customer equity-building strategies

In order to build customer equity, companies have to focus on the different components of customer-lifetime value and the size of the customer base. According to Ryals (2008:192) and Jooste *et al.* (2008:381), the strategies used to build customer equity can be classified as acquisition strategies, retention strategies and cross-selling strategies. These strategies will be discussed below.

Firstly, acquisition strategies are followed, in order to grow the customer base, customer equity and replacing customers lost to competitors or natural attrition. New customers should only be considered if the customer-lifetime value is greater than the acquisition cost of the customer. New customers should be targeted, using the CRM programme by making use of suitable attraction programmes. These programmes should offer customers superior value to their existing experience through an appropriate value proposition (Bick, 2007:183).

Secondly, retention strategies aim to maximise the retention rate, by building excellent relationships and providing favourable experiences to customers when dealing with the company. There has to be no benefit or incentive for customers to switch to the competition. During this strategy, CRM plays a huge role, since the programme can be used to track, manage and ensure timeous customer contact (Bick, 2007:184).

Thirdly, add-on or cross-selling strategies have to be implemented. These strategies have the objective of up-selling to the customer, selling more products to the same customer, increasing the income stream and keeping the cost structure as low as possible (Bick, 2007:185). Cross-selling will be discussed in detail in Chapter 4.

When pursuing these abovementioned strategies, companies must always have a financial perspective, optimising the structure and their income where possible (Du, Kamakura & Mela, 2007: 94). They must also avoid attracting unprofitable customers or spending large amounts of money on customers to ensure loyalty. It is essential that marketing programmes should be reviewed, in order to determine their contribution in acquiring new customers, retaining existing customers, improving of customer margins – as well as increasing the lifespan of customers with the company.

Certain customers are more valuable than others, as they might generate substantial income or might pose huge business opportunities; and they are, therefore, classified as key accounts. The next section will address the working of multilevel CRM in the banking environment.

2.9 MULTI-LEVEL CUSTOMER RELATIONSHIP MANAGEMENT IN A BUSINESS-BANKING ENVIRONMENT

For this study, the CRM used to service customers by the bank in scope differs between the different business segments of small, medium and large business customers. As indicated in Chapter 1, classification of these customers is based on the annual group turnover of the customer. The basic CRM model, as set out in Section 2.5.3 is applicable to the bank, but the execution and support associated with the functions delivered differs across the different segments.

The CRM structures of the bank are linked to the different segments. This is a result of the value associated with each segment, the complexity of the business, as well as the size of the business (Shaw & Reed, 1999:44). The differences between the small, medium and large segments will now be discussed and applied to the study at hand.

2.9.1 CRM in small business segments

The way in which customers are directly managed differs between small, medium and large business units. CRM is a key factor in the survival and growth of a small business customer (Longenecker, Moore, Petty & Palish, 2010: 349). In the small business segment of the bank in this study, customers are linked to a relationship manager who is mainly office bound. The manager has no direct assistants; and all the actions regarding the customer relationship are his/her responsibility. This manager manages in excess of 100 business customers, and mostly communicates via phone and e-mail with customers.

Requests for facilities needed are captured electronically by the relationship manager and submitted to a centralised database to be electronically scored and executed. All documents to be signed by customers are drawn up by a centralised processing hub and forwarded to the relationship manager. Customers have to visit the manager to sign any documentation and implement any transaction needed. All

processing needed by the customer is done by a centralised processing unit, after acceptance by the customer and submission by the relationship manager.
General queries by the customer are managed by an off-site call centre that should try and assist customers, in order to resolve any queries they may have. The CRM model used in this segment is volume-driven with low customer interaction, reducing cost and improving income. The relationship manager is responsible for most of the requests, interaction and execution of the processes.

2.9.2 Customer relationship management in medium business segments

Medium-sized businesses require a well-thought through CRM strategy to ensure efficiency (Voght, 2009:17). In the medium-business segment of the bank in scope, customers have a dedicated relationship manager. This relationship manager manages from 50 to 100 customers, and is assisted by an operational banker. The day-to-day relationship management of the customer base is divided between these two individuals; the relationship manager is responsible for all aspects of the relationship, and the operational banker manages all operational requests on behalf of the relationship manager. Customers who need products or services are visited on site by the relationship manager and/or the operational banker, in order to comply with any request by the customer.

All documents to be signed by the customers are also drawn up by a centralised processing hub, and forwarded to the relationship manager. All processing needed by the customer is done by way of a centralised processing unit after acceptance by the customer and submission by the relationship manager. General queries by the customer are managed by an off-site call centre that would try and assist customers, in order to resolve any enquiries they may have.

The CRM process used in this segment has many advantages (Voght, 2009:17) and aims to achieve a more personalised approach with customers. Relationship managers are more skilled compared with the small business segments, since the

customers' profiles are more complex, and the needs differ from those of small businesses. The CRM process is intensified through the usage of an operational banker – to improve service delivery and attach the customer to the bank. Due to the processes followed and the staff involved, this relationship model is more expensive than that of small business.

2.9.3 Customer relationship management in large business segments

In the large business environment, customers have a dedicated relationship manager. This manager, who manages from 30 to 40 customers, is assisted by an operational banker, a credit analyst, a security clerk, an operational clerk and a customer-service consultant. The customer-service consultant forms part of the Customer-Service Centre (CSC), which is an on-site call centre. Implementing an effective CRM process in a large business can be a very expensive exercise (Khosrowpour, 2005:2841).

The day-to-day relationship management of the customer base is divided between the relationship manager, the operational banker and the CSC; but the relationship manager is responsible for all aspects of the relationship. The operational banker manages all operational requests on behalf of the relationship manager, and the general queries by the customer are managed by the CSC, who would try and assist customers, in order to resolve any queries they may have.

The credit applications of customers in this segment are done through credit analysts who specialise in credit structuring. Customers who have a need are visited on-site by the relationship manager, and or the operational banker, in order to comply with any request by the customer. All documents to be signed by the customers are also drawn up by the securities clerk and forwarded to the relationship manager. All processing needed by the customer is done by the operational clerk after acceptance by the customer and submission by the relationship manager.

The CRM process used in this segment aims to get a high-level, personalised approach with these customers. Relationship managers are more skilled than those

in the medium business segment because the customers are more complex, and their needs differ from those of medium businesses. Customers in this segment include those who trade on a national base, as well as customers who are multi-nationals.

The CRM process is intensified through the use of an operational banker, a credit analyst, a customer-service consultant, as well as an operational clerk – to improve service delivery and bind the customer to the bank. Because of the processes followed and the staff involved, this relationship model is very expensive, and can only be justified if the complexity of the customers, as well as the income generated, justifies it.

In all three business bank segments B2B plays a role, as business customers are serviced by relationship managers representing the bank in scope. The networks created through these relationships are scale-free, and there exist no limits to their size, covering – as they do – all three business-bank segments (Gummesson & Polese, 2009:340). Satisfaction with the relationship can be regarded as an important outcome of buyer-sell relationships (such as banks and their customers) and an indicator of the strength of the B2B relationship (Barry, Dion & Johnson, 2008: 120) during the CRM process.

In order to build a relationship over time and become loyal, customers must perceive the relationship as beneficial to them. The construct of relationship intention can be interpreted as a gradual value-building process, where customers with a high degree of relationship intention pursue long-term relationships with their product or service suppliers (Kumar, Bohling & Ladda, 2003:678).

The benefits of relationships for customers and their business partners have been measured and conceptualised only recently. The benefits of engaging in a long-term relationship for customers and their product or service suppliers can be classified into three types of relational benefits, namely: confidence benefits, social benefits, and special treatment benefits (Gwinner, Gremler, & Binter, 1998).

Although the concept of relationship intention does not form part of this study, it is necessary to take note of the construct, since it might form part of future studies.

This section has addressed the operations of a multi-level CRM process within a bank; and it concludes the discussion regarding CRM.

2.10 SUMMARY

The financial industry sells many service products that are intangible, inseparable, perishable and heterogenic. Due to the unique nature of financial services, companies also need to consider three additional characteristics, namely: fiduciary responsibility, contingent consumption and duration of consumption. The difference between customer management, CRM and relationship marketing has been highlighted, and special attention was given to the QCI model. This model has served as the guide for the rest of the discussion around CRM, focusing on analysis and planning, proposition development, customer management, people organisation, measurement, customer experience, information and technology, as well as the processes to be followed.

The role of lifetime value in CRM was discussed, followed by the role of key-account management. Reference was made to the five-stage key-account management relationship development model – discussing how the account-relationship building strategy works. The creation of satisfaction is one of the main reasons for introducing CRM. The implementation of CRM aims at creating higher customer satisfaction and increased income levels. Chapter Three will focus on customer satisfaction, in order to create a better understanding of relationship building.

CHAPTER 3

CUSTOMER SATISFACTION AS PART OF THE SALES PROCESS

3.1 INTRODUCTION

In the financial-services market where competition is fierce, products and services are relatively similar. One of the crucial factors keeping customers from switching between service providers is satisfaction. Keeping customers satisfied has been the basis of successful banking business for many years; and it forms part of an ongoing customer relationship (Szwarc, 2005:6; Gitman & McDaniel, 2008:415). It is becoming more difficult for banks to gain a competitive advantage in a tough trading market – with customers continuously insisting on getting what they pay for, or sometimes more, if they can (Fishman, 2011:104).

The production and delivery of complex products and services in a cost-effective manner is much more difficult than it was in the past, especially due to the ever-increasing competition for a wallet share between companies.

Cilliers (1990:3) stated more than twenty years ago that customer satisfaction is the new standard by which customers will be measuring business performance. Customer satisfaction as a strategy is thus nothing new; but it can be considered as a re-focus on the basics of customer service. Customer satisfaction includes variables, such as price, the quality of the product or service, reliability and professionalism (Cronin, Brady & Halt, 2000:195).

Most of these variables are within the control of the service or product provider. The one variable that is outside the control of any service provider is that of customer perception. Whether based on fact, fiction or fantasy, when dealing with customer satisfaction, perceptions are considered to be real (Cochran, 2003:1). When customers' needs are met, or in some instances exceeded, they form a favourable opinion about the company that delivered the product or service. However, even

satisfied customers are not always loyal customers (Terblanche, 2011:33). Customers' attitudes drive their future behaviours; and highly satisfied customers display loyalty behaviour, by remaining with their provider, buying more products or services, resulting in higher profits for the service provider (Hill *et al.,* 2007:1).

The aim of this chapter is to provide an overview of the role of customer satisfaction in the sales process. The first section of this chapter focuses on the satisfaction-loyalty framework. This is followed by a section on service and value, customer satisfaction and retention, and loyalty. The final section of the chapter addresses revenue and profit. In the following sections, a few processes that overlap will be discussed. This is done to create some context for all process impacting; and it is involved in the broader CRM process.

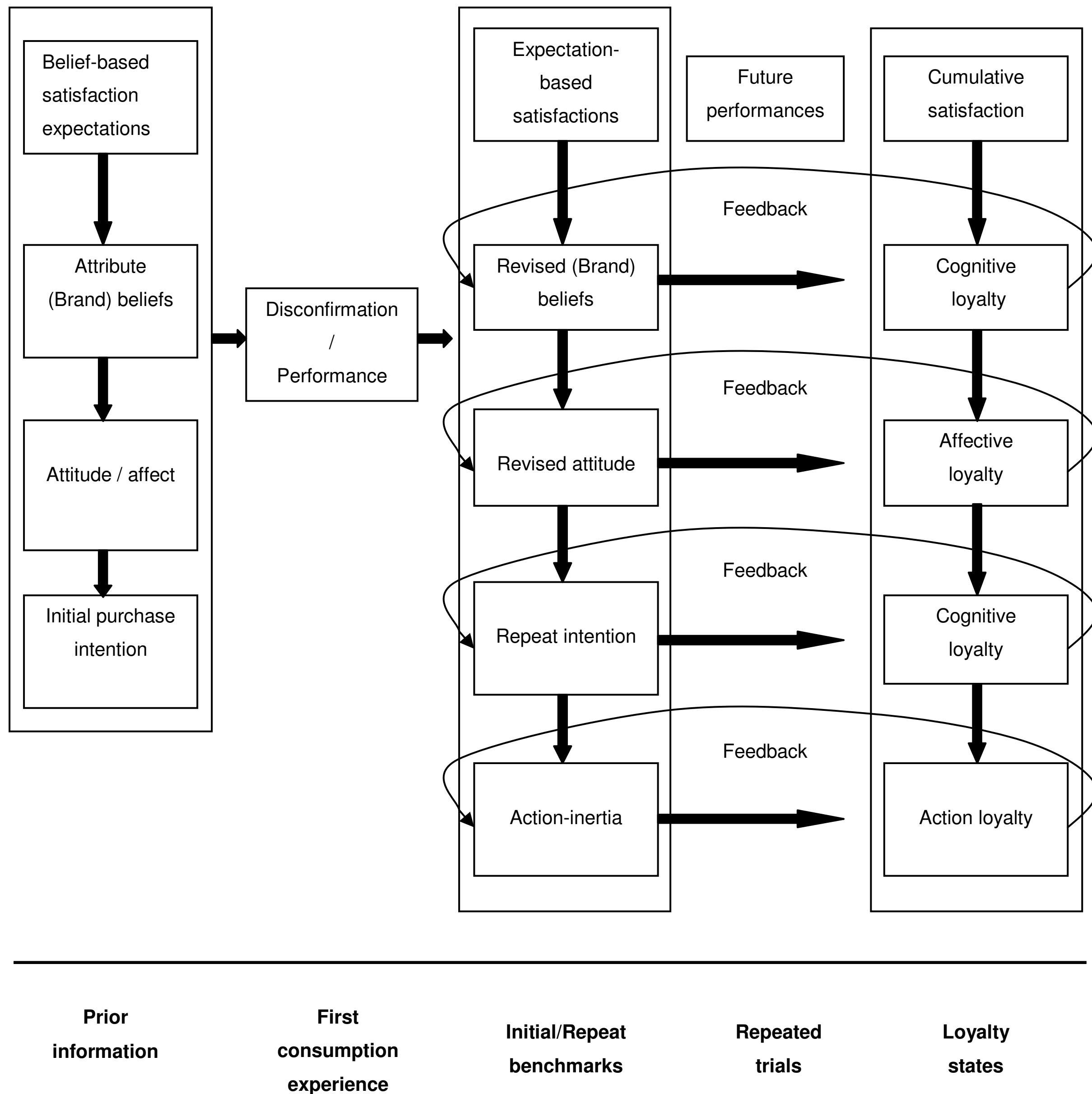
3.2 THE SATISFACTION-LOYALTY FRAMEWORK

When analysing how a customer moves from being a non-customer to a loyal supporter of the company, one has to consider the process of moving from the customer's initial experience, through a continued attendance, up to satisfaction, and eventually loyalty (Olivier, 2010:425). The process involves different phases, including the concepts of expectations, attitudes, and company performance, as well as cumulative satisfaction levels. As a new customer has no existing experience with the financial-service provider, initial expectations are largely based on the provider's reputation in the market.

The potential new customer's first experiences will link attitude concepts with the satisfaction experienced. Figure 3.1 presents a framework for the creation of a satisfaction-based loyalty process.

Figure 3.1 presents the initial phases of the purchasing experience. In the left section (before any loyalty has developed) the consumer's attitude is presented as a function of belief, or the customer's future-oriented expectations (Olivier, 2010:425). During the first purchase cycle, it is unclear whether this attitude will be based on the

Figure 3.1: The cycle of satisfaction-based loyalty



Adapted from: Olivier, R.L. 2010. *Satisfaction: a behavioural perspective on the consumer.* New York: M.E. Sharpe Inc.

objective attribute beliefs or the satisfaction experienced from the applicable attribute levels. Attitude is, therefore, based on either perception or experience. Generally speaking, consumers will have predilections towards the service or product provider, resulting in an intention to purchase, based on their anticipated liking of the product or service (Olivier, 2010:425). After the first few purchases, the model assumes that

the customer's reaction will follow an expectancy-disconfirmation process, where satisfaction will be a function of a disconfirmation-based performance system. The model further suggests that the resulting satisfaction or dissatisfaction levels have a severe influence on the customer's revised attitude, which is also influenced by the customer's prior attitude, as well as any related effects of the process. Dissatisfaction will result in a customer's defection, or switching to one of the competitors (El-Haik & Shaout, 2010:150). Influences of the customer's prior attitudes are explained by the adapting-level adjustments, whereby the final position adopted is the result of the initial position taken, as well as the movement caused by a change agent: in this instance satisfaction.

The intention to repurchase is similarly affected, and manifests as the result of the function of the initial intention levels, as well as the movement caused by the change agent (in this case the revised attitude levels of the customer). The continuation of the process is indicated by loops linking the different phases of the process at hand.

The performance in the post-consumption phase is used to revise the performance expectations of the customer in the following phases within the next cycle. The above-mentioned process is similar to that of the attitudes and intentions of the customer. The post-consumption evaluation may be a rigorous process with a multi-level comparison between what the customer expected and the actual outcome (Verma, 2009:71). It is worth noting that the model presents a repurchase intention, as a derivative of attitude and influences only. It is possible for intention and customer loyalty to be influenced by other social norms, such as group pressure.

The model provides a structure to follow the movement of customer satisfaction based on different inputs, such as expectations, beliefs and intentions. In the next section, the service-profit chain will be discussed.

3.2.1 The service-profit chain

The service-profit chain was alluded to in Section 1.7.2; but it will be discussed here in more detail. Optimal customer management refers to the acquisition and intelligent application of customer knowledge across all divisions of a company, in order to

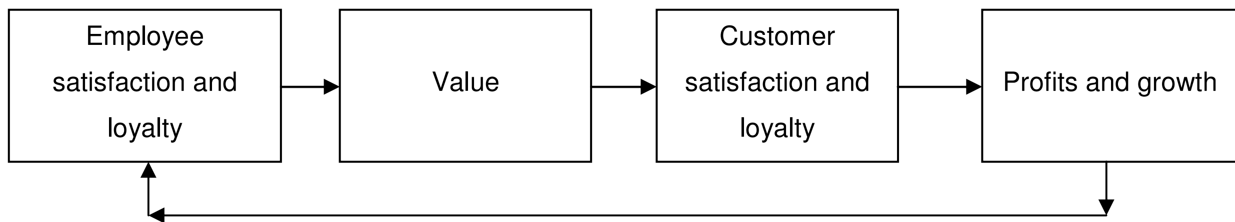
maximise mutual value (Taylor, 1999:25). In today's challenging market conditions, financial institutions make use of advanced technologies to assist them in managing customers with ever-increasing expectations and various choices. One of the most important objectives of customer management is to increase the value of the company's customer base by managing satisfaction levels.
Jain (1997:382) stated that customers are the only true assets of any company and that customer satisfaction is the only true justification for any company's existence. Customers' experience of the full value proposition has to be measured. This measurement would be the final test to determine whether the marketing and process strategies that have been implemented are successful. Service providers, such as banks, should continuously improve their methods of receiving information from their customers. Data systems must analyse the level of customer satisfaction with their total experience of the value proposition delivered.

Before implementation, both strategic and operational analyses are needed to execute and implement the service profit chain in a company (Kamakura, Wedel, de Rosa & Mazzon, 2003:45).

Information relating to customer satisfaction can be used to build a company's database, improve customer retention, modify product or service offerings, foster relationships with customers and motivate employees (Du Plessis *et al.,* 2005:98). Satisfied and loyal employees connect with their customers, directly contributing to better-served customers and innovativeness (Theoharakis, Sajtos & Hooley, 2009: 921).

Figure 3.2 presents the concept of a service-profit chain that illustrates the inter-relationship between key elements within the chain. The elements that constitute the links within the chain are employee satisfaction and loyalty, value, and customer satisfaction, as well as profits and growth. The concept illustrated in Figure 3.2 is universal, and applies to both product and service organisations. With reference to Figure 3.2, a company's employees' job satisfaction and loyalty come first.

Figure 3.2: The service-profit chain



Heskett, J.L., Jones, T.O., Loveman, G.W., Sasser, W.E. & Schlesinger, L.A. 2008. Putting the service-profit chain to work. *Harvard Business Review* . July-August: 118-128.

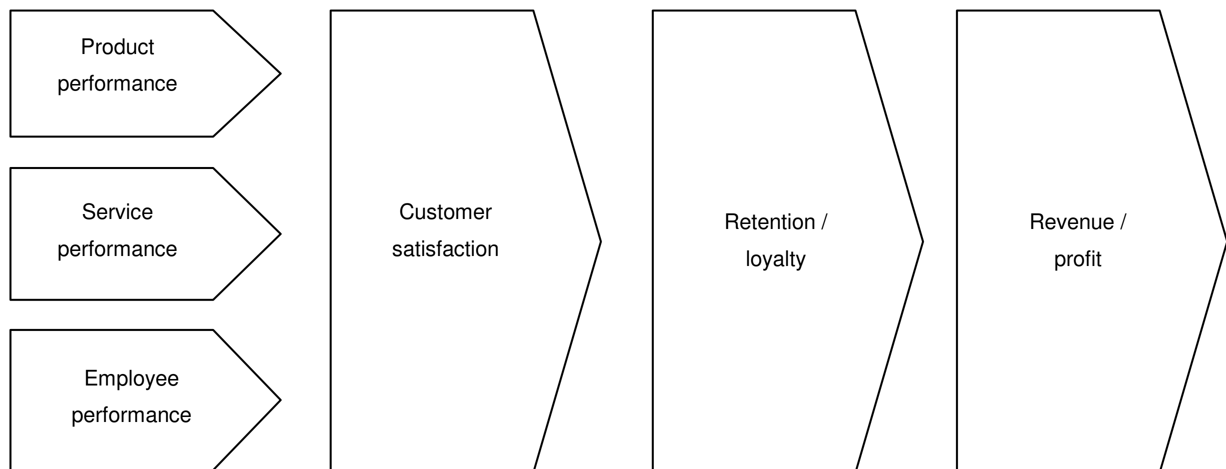
This satisfaction and loyalty is derived from delivering results to customers. It is essential that employees be given the necessary tools, training and empowerment, in order to be able to create value for customers through service delivery – to enable employees to satisfy the customers' needs. Satisfied employees become more productive, and may require less supervision and direct assistance from the company. This may, in turn, lead to reduced levels of staff turnover in the company.

Satisfied customers result in greater growth and increased profits, which, in turn, would lead to an increase in employee satisfaction and loyalty. Customers' satisfaction levels and their loyalty are the result of value provided to them by employees; and this is directly related to employee satisfaction and loyalty (Heskett *et al*, 2008:122). Companies that do not succeed in managing a service-profit chain may incur costs. The next section addresses the satisfaction-profit chain.

3.2.2 The satisfaction-profit chain

In the process of retaining their customers, companies focus their attention on increasing satisfaction levels experienced by these customers. Traditional views of satisfaction are that increased satisfaction leads to greater retention of customers; and higher levels of retention result in greater profits. In this section, the link between satisfaction, loyalty and profits will be discussed. The satisfaction-profit chain (SPC) is an essential concept when dealing with relationships, because of its link to CRM. Figure 3.3 illustrates the outline of the SPC.

Figure 3.3: The satisfaction-profit chain



Adapted from: Anderson, E.W. & Mittal, V. 2000. Strengthening the satisfaction-profit chain. *Journal of Service Research.* 3(2):107.

The use of the SPC became more popular when companies realised the importance of measuring customer satisfaction in their business (Heskett, Jones, Loveman, Sasser & Schlesinger, 2008: 120). The key concept of the SPC model is that improving product and service attributes would lead to improved customer satisfaction. Increased customer satisfaction is expected to lead to greater customer retention, which again is used as a proxy for customer loyalty.

In turn, this is then again expected to lead to increased levels of profitability. Due to the importance of this section of the literature (SPC), a few aspects that have an influence on the model will now be discussed.

3.2.2.1 <u>The link between customer satisfaction and profits</u>

The direct link between customer satisfaction and the level of profits earned indicates that as customers experience higher levels of satisfaction, profits should rise (Gustafsson & Johnson, 2000:254). It is important to note that there is evidence of contradictory findings, as Ittner and Larcke (1998:8) and Theoharakis *et al*., (2009:922) have found a positive relationship between satisfaction and profits, without Zeithaml (2000:67) finding any real link between these constructs.

The seemingly contradictory findings of these studies can be explained through understanding that the link between satisfaction and profits is not one-dimensional. To improve customer satisfaction, money has to be spent; and once the cost of enhancing customer satisfaction has been factored in, it might be that the presentation of an excessive level of satisfaction at this cost is not worthwhile (Kumar & Reinhartz, 2006:158).

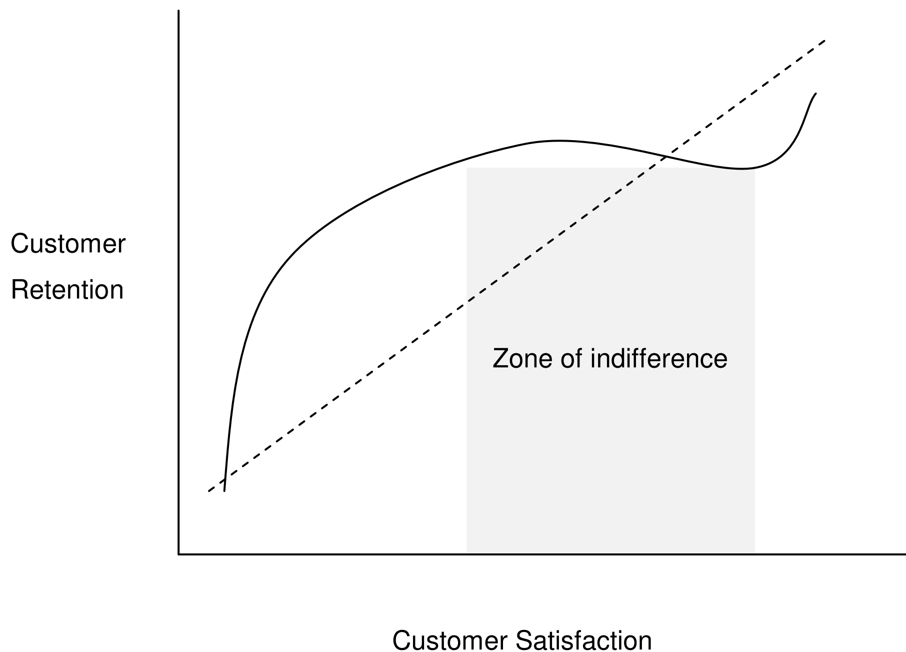
The reasoning behind this is that a marginal increase in satisfaction is not directly linked to spending; in other words, the level of spending needed to increase satisfaction might not be justified. Products and services offered at that level of satisfaction should deliver the optimal income levels for the company. When products or services reach a certain level of quality, the spending needed to further increase satisfaction is not worthwhile, as not enough income is generated to justify the capital outlay.

What this means is that there is an optimum satisfaction level for each company where the capital spent in order to deliver satisfaction is considered to be at an optimum level. Thus, beyond this point increasing satisfaction would not be cost effective. To determine a financial institution's optimal customer-satisfaction level longitudinal satisfaction studies have to be conducted, linking money spent to increase in satisfaction levels.

3.2.2.2 The link between customer satisfaction and retention

Given the difficulties linking company performance to that of customer satisfaction, the retention of customers is considered to be a long-term goal (Kumar & Reinhartz, 2006:158). When focusing on customer retention, as opposed to focusing only on satisfaction, managers of companies move closer to the ultimate dependent variable, namely that of profit. Figure 3.4 shows the relationship between satisfaction and customer retention.

Figure 3.4: The satisfaction-retention link



Adapted from: Anderson, E.W. & Mittal, V. 2000. Strengthening the satisfaction-profit chain. *Journal of Service Research.* 3(2):107.

The figure illustrates the link between satisfaction and retention as asymmetric: dissatisfaction with products or service has a greater impact on retention than satisfaction. Customer satisfaction is influenced by several factors when customers make a purchase decision. It might be that satisfaction is high, but the retention of the customer may still not be guaranteed, as there might be other products or services that could well satisfy the customer to the same extent. The converse of this is also applicable in the sense that if a customer is dissatisfied, other products or services become more attractive.

The link is non-linear, and therefore, the impact is more severe in extreme situations. The spoken line in the graph is called the zone of indifference (Jones & Sasser, 1995:15). A variety of factors, including the aggressiveness of the competition, the degree of switching cost and the level of risk perceived both have an influence on the shape of the curve, as well as the two crossing points in the graph, where there is a steep change in the shape of the curve. The attractiveness of alternatives, as

well as their offering, has to be determined, in order to analyse the real impact that it might have.

3.2.2.3 The link between customer loyalty and profit

Due to the complexity and specificity of the links between loyalty and profit, using customer satisfaction as a proxy measure for the loyalty or profitability of customers is not advisable. The direct link between customer retention and a company's performance is extremely important. Reichheld and Markey (2000:134) explain that long-term customers:

- Spend more money over a period of time;
- Cost less to serve per specific product measured over time;
- Have a greater propensity to generate and create word-of-mouth customers; and
- Are willing to pay a premium for products or services compared with that of more short-term customers.

The argument is based on the fact that customers are acquired at a certain cost, which is recovered over time; and customers can become more profitable over time. This might be true for customers served on a long-term contractual basis, such as bank customers, but might not necessarily be true for a non-contractual relationship, such as the customers of a retail store. In the case of a non-contractual relationship, the revenue generated must be balanced by the cost of constantly sustaining the customer relationship and defending competitive attacks.

It is quite obvious that the margins earned in non-contractual relationships might be different from those earned in contractual relationships. An ever-increasing spending to obtain satisfaction could lead to overspending. Efforts to constantly increase customer satisfaction and retention would consume a great deal of company resources and diminish returns (Kumar & Reinhartz, 2006:160). Short-term customers can be very profitable; and it is clear that loyalty is not the only means to profitability (Reinartz & Kumar, 2002:86).

When considering customer loyalty and profitability, it is necessary to make a great effort to obtain detailed information regarding the segment or individual customer profitability – before a strategy is implemented, or money is spent on increasing the level of satisfaction.

Understanding customer satisfaction alone is not enough; by not understanding the links between the different sections of the SPC, resources can be misallocated due to incorrect understanding of the underlying mechanics of the chain (Walker, Johnston & Leonard, 2006:26). It is important to understand and assess the various links in the SPC in the correct manner, as the non-linear, asymmetric and industry-specific links may severely impact the outcome of the process.

As indicated above, satisfaction can be linked to loyalty and profit. Keeping customers satisfied has an influence on a company's customer-retention rate. The link between service quality and value will be addressed in the next section.

3.3 SERVICE QUALITY AND VALUE

3.3.1 What is service quality?

Service quality is defined as the "the difference between customers' expectations and their perceptions of the service delivered by such companies" (Wang & Shieh, 2006:195). Service quality is determined by calculating the difference between two measurement scores, where better service quality results in a smaller gap (Mosahab, Mahamad & Ramayah, 2010:73). In an effort to conceptualise and define service quality, Sureshchandar, Rajendran & Anantharaman (2002:114) identified five factors of service quality that are critical from a customer point of view.

These factors include: the service product, the human element during service delivery, the systemisation of service delivery, and social responsibility.

3.3.2 Structuring for service quality and value

In order to service customers well and have an impact on the satisfaction levels of customers, a customer-service system has to be initiated. This creates a base from which customer satisfaction can be measured. Gerson (1993:15) has provided a seven-step approach to developing a successful customer-service system.

Step one: Management commitment. Customer service and quality improvement programmes can only succeed if management from all levels within the company participate in the programme. This includes commitment from the board, all the executives, as well as the rest of the management team. A clear vision has to be set regarding what the service system is going to do; how this process will be implemented; and what employees can expect during the implementation of the process. Management should introduce and live the concept of employees working for customers – and not for the company.

Without any customers there is no company; and satisfied customers result in continuous income streams and sustainability (Gerson, 1993:84). Delivering a high or superior level of service quality is an important organisational capability (Johnston & Marshall, 2009:22). Total management commitment begins with the vision and mission statement relating to the service-delivery process, as well as the qualities associated with it.

Step two: Know your customer. In order to deliver exceptional customer service, financial institutions must get to know their customers and fully understand their needs. This includes discovering what their expectations are, what motivates them, what needs to be done to keep them loyal, and to keep them from switching. Eighty per cent of a sales team's time should be spent with their top 20 per cent of customers, in order to get to know them intimately; the 80-20 principle, thus, applies here (Da Silva, 2006:135).

Customers may change a little or a lot during a specific time period. Therefore, continuous research is needed to detect any changes in behaviour, cognition and frequency of buying (Peter & Olson, 2005:27). Getting to know customers better can

be done through close customer contact on a constant basis, analysing their operations and those of the competition.

Step three: Develop standards for service-delivery performance. Customer service and service qualities are intangible, and are based on perceptions. There are visible and tangible aspects of services that can be measured. Examples of this include bank staff not picking up telephones, or long waiting periods in queues. Standards should be set for each service item that needs to be measured. For example, a phone may only ring five times before it should be answered.

Step four: Appointment, training and compensation of quality employees. Superior customer service and high quality service resulting in customer satisfaction, and customer retention can only be achieved through competent staff. New employees have to be trained intensively; and they must understand the financial institution's standard of service delivery derived from customer's expectancy of service quality. In the current competitive market place, customers are demanding more from their service providers – leading to increased staff development – in order to be able to create strategic partnerships (Spiro *et al.,* 2008:195).

Employees have to be empowered, in order to deliver service of a high standard. When trained, staff should be compensated well, in order to retain them, as the cost of losing quality staff has the same impact as losing customers (relating to the service-profit chain).

Step five: The rewarding of quality accomplishments. It is essential to recognise and reward superior service delivery. Incentives can consist of psychological (such as being classified a preferred customer), as well as financial incentives, and should include rewarding both employees responsible for small and big successes, in order to motivate them. It is also necessary to reward customers, and recognise and appreciate behaviour. This would motivate customers to do more business with their service provider. Reward systems are aimed at frequently buying customers to keep them coming back (West, Ford & Ibrahim, 2010:165).

The delivery of quality service is the hallmark of success in service industries that require reliable service (Zeithaml, 2009:126). Most companies offer quality and value for money – as part of their value proposition. Presenting customers with added benefits that they did not expect would differentiate a financial institution from its competitors.

Step six: Stay close to the customers. After getting to know customers well, financial institutions should stay close and keep in touch in every possible way. By understanding their customers better, bankers can set objectives to improve their intensity and levels of bonding with customers, ideally in collaboration with the customer (Gordon, 1998:100). It is worthwhile asking customers about their purchase or non-purchase of a product or service, in order to gain insight regarding their buying patterns and satisfaction levels. When customers inform a company that their quality is up to standard, that their service is superb, and that they are very satisfied, this should trigger the drive for increased levels of service delivery (Gerson, 1993:86).

The ideal is to keep the brand in the back of customers' minds by delivering superior service – and thereby keeping the satisfaction levels high.

Step seven: Continuous improvement. It is of the utmost importance to continuously improve customer service and performance quality. Customers would appreciate a constant drive to improve the quality of service. Financial institutions should make use of customers' suggestions and recommendations, as these could lead to increased business, and subsequently to increased profits. An example of this would be customers requesting to be contacted through social media such as Facebook® and Twitter®. Measurement of service delivery has to be done, in order to improve performance levels and meet customers' expectations, as this might lead to customer delight, re-purchase behaviour and loyalty (Keininham & Vavra, 2001:131).

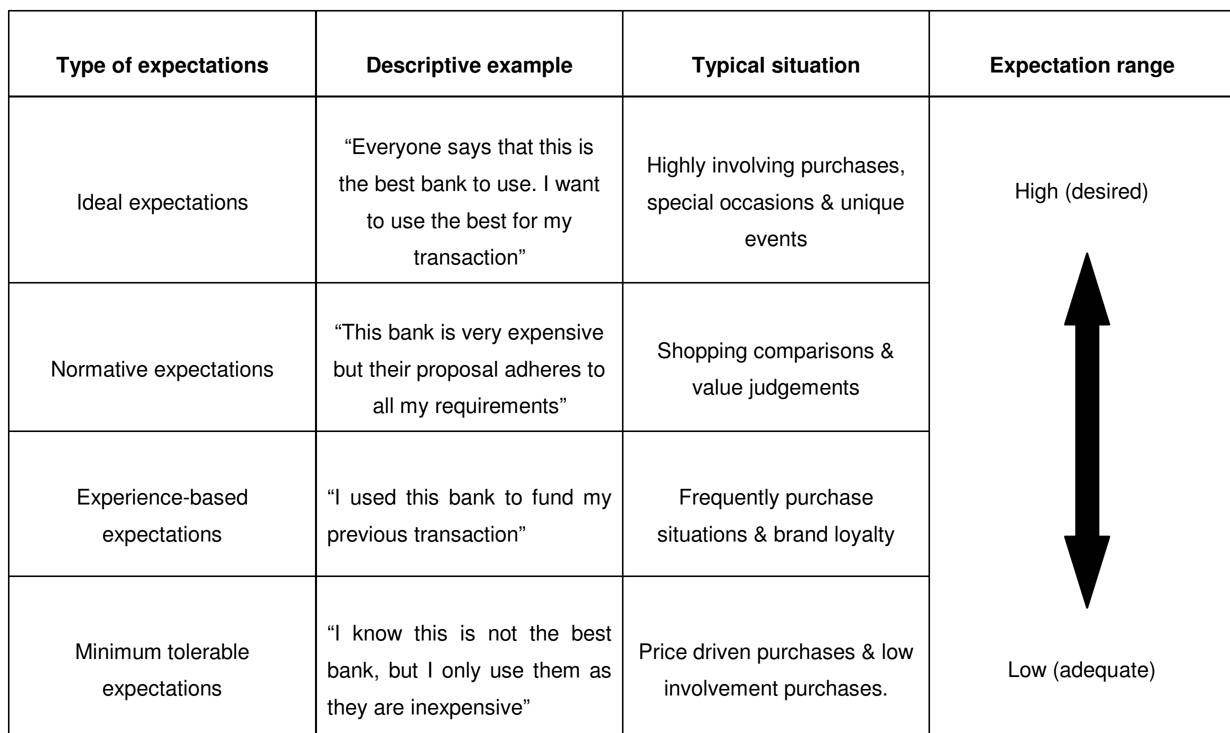
A customer-service system should be developed with the customer in mind. Each function within the system must be properly understood, staffed, stocked and measured, and managed properly – if the customer-service system is to work

effectively (Goodman, 2009:130). High levels of service delivery would lead to satisfied customers, and this will have a direct impact on the bottom line. In the next section the understanding and proactive management of customer expectations will be discussed.

3.3.3 Understanding customer expectations

In order to maintain and manage customer satisfaction from a strategic point of view, managers have to understand customer expectations, and what the difference is between satisfaction, quality and value delivered. Expectations play an important role in satisfaction. The extent to which products or services fulfil customers' needs plays an important role in forming perceptions of satisfaction, because of the impact that confirmation of expectations has on satisfaction (Angelova & Zekiri, 2011:293). Figure 3.5 depicts the different types of customer expectation. The measurement of customer satisfaction has to be a long-term and continuous process, in order for it to be effective over time.

Figure 3.5: Range of customer expectations



Type of expectations	Descriptive example	Typical situation	Expectation range
Ideal expectations	"Everyone says that this is the best bank to use. I want to use the best for my transaction"	Highly involving purchases, special occasions & unique events	High (desired)
Normative expectations	"This bank is very expensive but their proposal adheres to all my requirements"	Shopping comparisons & value judgements	
Experience-based expectations	"I used this bank to fund my previous transaction"	Frequently purchase situations & brand loyalty	
Minimum tolerable expectations	"I know this is not the best bank, but I only use them as they are inexpensive"	Price driven purchases & low involvement purchases.	Low (adequate)

Adapted from: Myers, J.H. 1999. *Measuring Customer Satisfaction.* Chicago: American marketing association.

Customer satisfaction can be conceived in a number of different ways; and it can be defined as the degree to which a product or service meets or exceeds a customer's expectations (Ferrel & Hartline, 2011:371). The understanding of satisfaction lies in understanding the customer's needs, and how they are formed. Customer expectations are largely based on the situation at hand; in situations where needs are very high, then the expectations relating to those needs are also high. Alternatively, if the need is low the expectation associated with that need is also low, as indicated in Figure 3.5.

Expectations also tend to increase when customers have alternatives to the product or service provider they use; and this is one of the reasons why commoditised markets are very competitive. There are circumstances that may cause customers' expectations to be lower and closer to the tolerable end of the range. These would include situations where monetary prices are low, or when the purchase process does not need a lot of involvement (Dagger & Sweeny, 2007:23). Customers also tend to become more tolerant of poor performance when the options available to them are limited, or when the poor performance is beyond the control of the company.

An example of that would be a bank not paying out a business loan due to a wide-spread power failure. The difference between the upper or desired end, and the lower end or adequate levels of the expectation range is called the customer's zone of tolerance (Myers, 1999:54). The width of the zone of tolerance indicates the degree to which customers recognise and accept variability in performance. This mostly relates to variations in quality and value. Figure 3.6 represents the zone of tolerance types. Customer delight is the result of performance by the service provider – in excess of the desired or expected performance.

Performance at these levels rarely happens; and usually it is a surprise to customers. Therefore, customers experience it very intensely and record it as a memorable experience. Customer satisfaction occurs when the performance falls within the zone of tolerance of the customer, and is also considered an antecedent of customer loyalty (Askariazad & Babakhani, 2011:39). The satisfaction experienced

will vary, depending on where the performance of the service provider falls within the zone of tolerance (high or low). Customer dissatisfaction occurs when the actual performance of the service provider falls below the level of adequate performance expectation. Customers may show their dissatisfaction through behaviour which, in turn, would impact on the company's profitability (Zeelenberg & Pieters, 2004:449).

Figure 3.6: The zone of tolerance

Customer delight (performance exceeds desired expectations)	Customer satisfaction (performance within the zone of tolerance)	Customer dissatisfaction (performance falls below adequate expectations)
Marketing performance Desired expectations Adequate expectations	Desired expectations Marketing performance Adequate expectations	Desired expectations Adequate expectations Marketing performance
Typical zone of tolerance (performance factors of avarice importance)	Wide zone of tolerance (performance factors of less importance)	Narrow zone of tolerance (performance factors of highest importance)

Adapted from: Ferrel, O.C. & Hartline, M.D. 2011. Marketing management strategy. 5th edition. Scarborough: South Western.

Depending on the severity of the service experienced, customers may go beyond dissatisfaction and become angry, frustrated or lose their temper. In this instance, it would also be a memorable experience, but with a negative result. When used as

part of strategic planning, the working of the zone of tolerance has to be managed as a moving target. In practice, this means that the difference between what customers want and what they consider acceptable, is very narrow. This could result in financial institutions having relatively greater difficulty in matching company performance with customers' expectations.
It is obvious that customer satisfaction is much harder to achieve when the zone of tolerance is narrow. The converse is also true; in such cases where the zone of tolerance is very wide, it is quite easy to achieve the satisfaction level required by customers. This also means that the marketer's hurdle is much lower, and the satisfaction targets that need to be met are quite low. Delighting customers by exceeding their expectations becomes increasingly more difficult to do when marketing teams are involved. It is advisable that causing dissatisfaction by failing to meet customer expectation has to be avoided at all costs.

There are two issues to consider for any marketer when dealing with satisfaction and expectations. The first is understanding the applicable performance factors relating to customers' expectations. Customers have many expectations, but there are usually only a few factors that are critical to the customer (Ferrel & Hartline, 2011:374).

The second issue is the tracking of expectations and performance against expectations over a long period of time. This could be an efficient tool when doing strategic planning around customer care. It is necessary to track both expectation and performance – to ensure that customer satisfaction remains on a high level at all times. Customer satisfaction plays a significant role in customer retention and loyalty. There are certain strategies that can be implemented in order to increase customer retention. In the next section the measurement of service quality will be discussed.

3.3.4 Service-quality measurement

In the world of intense business competition the key to sustainable competitive advantage lies in the delivery of high quality service, that results in satisfied

customers (Sureshchandar, Rajendran & Anantharaman, 2002: 363). The scholarly approach of professional academic research has resulted in a multitude of measurement methodologies, in order to measure service quality. It is important to note the most important of these academic contributions, as it formed the basis for the development of future models and questionnaires, including the questionnaire used in one of the databases considered for this study.

The first was the Nordic approach of Lethinen and Lethinen (1982), where they introduced technical, corporate and interactive activities; and then there was the model of Grönroos (1984:36), who presented the technical and functional model. The North American debate started with Parasuraman, Zeithaml and Berry (1985:36), when they introduced SERVQUAL, a gap-based measure with the familiar five quality dimensions.

Cronin and Taylor (1992:55) presented the SERVPERF model, which was a performance only measurement; and Brown, Churchill and Peter (1993:127) followed with a better or worse than expected scale. Teas (1993:18) presented the Evaluated Performance Model. This model measured F – the gap between perceived performance and the ideal amount of feature.

The most popular measure of service quality is SERVQUAL (Asubonteng, McCleary and Swan, 1996:62), a measurement instrument developed by Parasuraman, Zeithaml and Berry (1985:41). This measurement instrument has been widely cited in marketing literature, and has been used worldwide in many industries. The publication of the Parasuraman, Zeithaml and Berry article in the Journal of Retailing in 1985 presented the creation of SERVQUAL, which was deemed to be the first standardised methodology for the measurement of service quality.

In the development of SERVQUAL, Parasuraman *et al.* (1985) identified ten components of service quality, namely: reliability, responsiveness, competence, access, courtesy, communication, creditability, security, understanding the customers and tangibles. In their 1988, work, they collapsed the above-mentioned

components into five dimensions, namely: reliability, assurance, tangibles, empathy and responsiveness. The authors used SERVQUAL, to measure service quality in retail banks, a long-distance telephone company, a securities broker, an appliance company, and maintenance and credit-card companies – through a seven-point Likert-scale approach.

Notwithstanding its popularity and widespread application, SERVQUAL has been the target of several theoretical and operational criticisms over the years. Theoretical criticisms include that of Cronin and Taylor (1994:125), who stated that SERVQUAL is paradigmatically flawed, because of its ill-judged adoption of the disconfirmation model. Babakus and Boller (1992:253) found that the dominant contributor to the gap score was the perceptions score, due to the generalised response tendency of respondents to rate expectations high.

SERVQUAL has also been criticised for focusing on the process of service delivery, instead of on the outcome of the service encounter (Richard & Allaway, 1993:59); and when SERQUAL was employed and modified, the number of dimensions revealed differed substantially between the sectors under investigation (Gagliano & Hathcote, 1994:60).

Operational criticisms raised against SERVQUAL have concluded that the four or five items that make up each factor are inadequate to capture the variance within each dimension (Babakus & Mangold, 1992:767). Babakus and Boller (1992:255) found that all negatively-worded items loaded heavily on one factor; while all the positively-worded items loaded on another – thereby creating polarity; and the modified scales tended to produce higher levels of variance (Bouman & Van der Wiele, 1992:16).

The first multi-attribute cause-and-effect model was published by Parasuraman relating service quality, product and price to the perceived value and customer loyalty. SERVQUAL forms part of the construct for the measurement tool used in one of the available databases that will be presented in Chapter 5.

The consistent measurement of satisfaction plays a huge role in maintaining customer relations and in the future meeting of customer expectations. Understanding exactly what customers want is central to building long-term relationships (Boone & Kurtz, 2011:316). The measurement of satisfaction has to be an ongoing process – with actions following any complaints. In the final section of this chapter, the managing of customer complaints will be addressed. The management of complaints is important because they have a huge influence on the customer-retention rate.

Satisfaction experienced can lead to loyalty which can be measured through determining a net promoter score or the likelihood to recommend. The net-promoter score (NPS) is a metric derived from survey responses linked to the question regarding the likelihood to recommend a company or service provider (Reichheld, 2003:50). Respondents who provide a rating of 9 or 10 are classified as "Promoters"; and they exhibit the highest rates of purchase and referral behaviours; while respondents who provide a rating of 7 or 8 are classified as "Passive"; and they exhibit moderate rates of purchase and referral behaviours.

Respondents who provide a rating of 6 or below are classified as "Detractors". The net promoter score is calculated by subtracting the promotion of a company's "Promoters" from that of its "Detractors" (Keining, Cooil, Andreassen & Aksoy, 2007: 39). The net promoter has been adapted by many of the most prestigious companies around the world (Hayes, 2009:4). There are certain advantages and disadvantages of using likelihood to recommend, when determining customer satisfaction and the likelihood to recommend (Powaga, 2004:2).

The first advantage of using likelihood to recommend would be simplicity when dealing with customers' opinions. The second advantage would be ease of distribution and the collection of data; and the third would be that of ease of analysis. Disadvantages of the likelihood to recommend would firstly include the fact that the likelihood to recommend does not offer any insight on whether the recommendation is an outcome of the customer's loyalty, a cause of that loyalty, or merely loyalty defined. Another disadvantage is the fact that the questions asked are irrelevant in

certain circumstances or industries. A third disadvantage of the likelihood to recommend relates to the issue that likelihood to recommend could emerge from companies or business units that have very different patterns of loyalty, warranting very different managerial actions.

Likelihood to recommend has substantial support due to a few reasons. It is relatively simple to calculate, it has face validity and the idea of promoters and detractors has a certain intuitive appeal to many stakeholders. Likelihood to recommend also provides the type of core customer index that many companies aim to include in their corporate scorecards. Critics of likelihood to recommend state that the same score could emerge from companies or their business units with very different patterns of loyalty, warranting very different managerial actions and not providing a solution on how to improve the position (Widmer, Powaga & Conklin, 2001:12). Despite all the critique, the NPS or likelihood to recommend is considered reliable, easy to work with and a valid tool (Reichheld, 2003:54).

In order to provide perspective and provide more detail on service delivery, the concept of satisfaction will be addressed in the next section.

3.4 CUSTOMER SATISFACTION

3.4.1 What is customer satisfaction?

The existence of customer satisfaction is fundamental to the wellbeing of customers, the profits generated from these customers, and the stability of the sales process in any sales-driven company. Satisfaction is defined as “an outcome of the purchase and use of products and services, resulting from a customer’s comparison of the rewards and costs of the purchase in relation to the anticipated consequences” (Cilliers, 1990:4; Verma, 2011:17). Gerson (1993:5) states that satisfaction is the customer’s perception of the level of surpassing of expectations after service delivery.

Put in another way, customer satisfaction is the percentage of total customers who reported that their experience with the company or its products exceeded specific satisfaction goals (Jooste *et al.,* 2010:448). From the above-mentioned, it seems that a customer would experience satisfaction if the rewards of the related purchase and its use were in line with the anticipated consequences of the transaction. Customers make value judgements, based on their perception of the experienced performance of the product or service against the actual performance. Therefore, it may be concluded that customer satisfaction is the reaction to the value received from a product or service (Woodruff & Gardial, 1996:87).

Customer satisfaction is also defined as "a measure of the relationship between the value created and the value delivered by a product or service provider through its product and service offerings, and the customer's evaluation of how well their needs and expectation were met" (Woodruff & Gardial, 1996:95). Satisfied customers do more business more often with their product and service providers. The more customers spend, the more their suppliers will sell – resulting in increased profits highlighting the link between sales, service, satisfaction and profits (Gerson, 1993:5).

Satisfaction can be viewed as the result of a single event leading up to the consumption of the product or service, or as a collective of a series of experiences leading up to the event itself. The creation of customer satisfaction can be achieved through using a customer-service system or process, in order to ensure that customers are serviced end-to-end. The American Customer Satisfaction Index (ACSI) model embeds customer satisfaction within a series of cause-and-effect relationships, including customer expectations, perceived quality, and perceived value as well as customer complaints and customer loyalty (Fornell, Johnson, Anderson, Cha & Bryant, 1996; Morgeson, 2012:295). The ACSI model uses a multiple indicator approach to calculate an overall customer satisfaction score based on perceived expectations, perceived quality and perceived value experienced by customers. It also includes a customer loyalty component by making use of likelihood to recommend or NPS.

In this thesis, the focus is on financial institutions, and more specifically banks. For the above-mentioned reasons, the focus of Section 3.4.2 will be the managing of customer-satisfaction levels.

3.4.2 Managing satisfaction levels

Customer satisfaction is key to the process of customer retention, since satisfied customers are likely to become loyal customers that may even promote the company and its products (Williams & Naumann, 2011:20). Such customers are less price sensitive, are less likely to explore alternative suppliers, and ultimately less likely to switch (Ferrel & Hartline, 2011:377). Customers think in different ways about satisfaction, which leads to interesting and sometime complex challenges to marketers, including those in the financial sector. There are certain uncontrollable factors that might affect the level of customer satisfaction.

Although some of these factors are not controllable, they can be managed to create more stable levels of customer satisfaction. There are certain actions that can be taken to manage satisfaction levels. These will be described below.

The first action to manage satisfaction levels is an in-depth understanding of what can go wrong. Frontline managers must understand the different scenarios, which can lead to customer dissatisfaction or the non-achievement of customer expectations. The primary reasons for purchasing services are non-situational by nature; and therefore, it is possible to turn customer dissatisfaction into a higher level of customer loyalty (Grigoroudis & Siskos, 2010:87).

Although some factors are uncontrollable, financial institutions should be aware of them; and they have to be in a position to respond on demand. An example of this (in the banking environment) would be a sudden increase in the prime lending rate, which increases the lending risk.

Another action is to focus on issues within the company’s control. The key in this process is to be aware of the uncontrollable issues, but to focus more on the issues that are controllable. Uncover the issues that relate to expectations and

communicate them well (Aselmo, 2010:341). Product and service quality, atmosphere, pricing, distribution and convenience – these are all issues that are manageable issues that could increase customer satisfaction and maintain loyal and profitable relationships. A third action is to manage customer expectations. Managing customer expectations is more than good service delivery; it entails educating customers about how to be satisfied with the company's product; while service delivery includes training on products, as well as service delivery.

The offering of satisfaction guarantees is another action to manage satisfaction levels. Companies that have self-belief and value customer satisfaction, back their offering with satisfaction guarantees (Ferrel & Hartline, 2011:378). A satisfaction guarantee can serve as part of the company's corporate vision, and can be a great marketing tool to differentiate the company's products or service offerings from those of the competitors. An example of a satisfaction guarantee would be a bank offering an answer on a home loan application within 24 hours. This is, however, not without risk – as a default on the guarantee could damage the company's image.

By implementing a complaint system, financial institutions can curb customers leaving without complaining. A compliments system could create a culture in the company, where all the staff practise and encourage customer feedback, which is viewed as an investment and not as a cost (Barlow, Moller & Hsieh, 2009:73). A complaint system has to provide for the capturing of complaints, communication with customers, as well as rectification of the issues raised.

Another action for managing satisfaction is the creation of customer relationship programmes. Banks can use their relationship strategies to increase customer loyalty, creating a financial, social and emotional link between the service provider and the customer. An example of this would be loyalty points earned by customers when using their bank credit card.

Finally, customer satisfaction should be measured on an ongoing basis. What gets measured gets done; therefore, the creation of a permanent, ongoing customer-satisfaction measurement programme is critical to the enablement of a CRM

programme. Managing satisfaction alone is not enough; satisfaction has to be measured. In the next section the measurement of satisfaction will be addressed.

3.4.3 Measuring satisfaction

The measurement of customer satisfaction is an important element in the overall marketing process. Financial institutions may follow simple or more sophisticated processes to determine whether their customers are satisfied with the product or the service delivery. The measurement of satisfaction has changed dramatically in the past few decades – with most large companies tracing their customer satisfaction over a period of time (Ferrel & Hartline, 2011:379). Financial institutions that are serious about their customers' satisfaction have implemented robust measurements and methods of tracking customer satisfaction.

Technology allows companies to track the behaviour of customers over any period of time, and to provide valuable information on customer behaviour and satisfaction. There are various measurements for satisfaction and relationship effectiveness. The basic measurement elements for relationship effectiveness and satisfaction should include relationship quality, service quality and the product quality experienced (Biswas, 2011:254). Measurement of service quality is more difficult than that of product quality because of the characteristics of inseparability, intangibility, homogeneity and perishability (Grigoroudis & Siskos, 2010:70), as was discussed in Chapter 2. Satisfaction regarding product quality has a significant influence on business with customers, as well as on the length of the relationship (Lu, 2007:111). Whatever the measurement method used, there should be alignment in the measurement factors, which have to include the possibility of failure or success of the respective elements. Measurement of customer satisfaction is not asking a few questions about service delivery; it is meant to be a structured monitoring and measurement over time (Hill, Self & Roche, 2002: 53).

In line with the studies of Sureshchandar *et al.* (2002:365) and Bitner and Hubert (1994:73), this study takes the view that customer satisfaction is a multi-dimensional construct, but that the underlying factors/items of customer satisfaction are the same

as those for how service quality is measured. In line with the above-mentioned studies, this thesis argues that customer satisfaction should be operationalised along the same dimensions as those that constitute service quality. Sureshchandar *et al.* (2002:365) and Bitner and Hubert (1994:73) argue that that the 22 items used in SERVQUAL (which partly formed the basis of the questionnaire used by the research company), when measured as a function of multiple experiences with the company, may be good predictors of the overall service satisfaction experienced. Besides, SERVQUAL, another measurement model (also applied by the research company involved in this study) is largely based on the American Consumer Satisfaction Index (ACSI) as developed by Fornell, Johnson, Anderson, Cha & Bryant (1996). In ACSI, the customer service experience is measured on three levels: that of service quality; product quality; and relationship quality.

In general, the measurement of satisfaction can be divided into traditional methods of measurement, and the more advanced and technical methods of tracking. The more traditional methods are summarised below.

3.4.3.1 <u>Complaint and suggestion systems</u>

Customer-oriented companies have to make it easy to for their customers to lodge complaints or make suggestions regarding normal business processes, products, services and staff. This information provides companies with valuable information about much needed business changes; and it also limits customer switching – without the service provider even knowing about it. However, companies must also be aware of the fact that some customers lodge a complaint or series of complaints with the intention of getting concessions (Bragg, 2010:250); and they, therefore, are abusing the complaint system.

3.4.3.2 <u>Implementation of customer-satisfaction surveys</u>

Studies indicate that customers are dissatisfied with one out of four purchases; but only five per cent of them complain about it (Kotler *et al.*, 2010:41). Customers that are dissatisfied do not always complain, but they simply buy less, resulting in an

income loss to the company. It is, therefore, necessary that there should exist a more direct measure of customer satisfaction – in the form of periodic surveys. These surveys can be done on an electronic or paper-based questionnaire basis, or through telephonic questionnaires. Satisfaction can be measured through direct questions, or by asking the respondents to list any problems they may have had.

Customers can also be requested to rank various elements in the service chain in terms of performance and importance, in order to determine the level of service of the bank staff, or of the service process itself.

3.4.3.3 Using ghost shoppers to measure satisfaction

A useful tool in gathering information regarding the performance of the company or its staff is hiring persons to pose as potential buyers (Govindarajan, 2007:8). These ghost shoppers will report their experience with the service or product provider, including the interaction with sales and administrative staff, comparing it with that of the competitors. Ghost shoppers can also be used to pose problems to bank staff to determine whether the employees can handle the situation well, or not.

3.4.3.4 Using of a lost-customer analysis

Companies should contact customers who have reduced or stopped or switched their purchases to that of a competitor. It is important to conduct exit interviews to determine the satisfaction levels, but also to monitor the customer-loss rate (Gale, 2010:332). It is necessary to note that customers switching from one provider to another might have differences of opinion on what they consider satisfactory service delivery to be.

When customers are committed to a company, and they are truly loyal, they actively recruit new customers through word-of-mouth. These recommendations reflect true loyalty to a supplier of a product and service – as such customers are willing to risk their reputation and character, in order to promote a company without receiving any reward (Reichheld, 2003:50).

When measuring customer satisfaction, it must be noted that managers may manipulate outcomes by going out of their way to impress customers; or the customers themselves may stage dissatisfaction, in order to get discounts or concessions. Satisfied customers are bound to become loyal customers, enforcing the idea that satisfaction is hugely beneficial to a product or service provider. As already indicated, the earlier technology created the opportunity to measure satisfaction by tracking customer behaviour over time.

Some of the more advanced measurements of customer satisfaction are mentioned below (Ferril & Hartline, 2011:380):

3.4.3.5 Lifetime value of a customer (LTV)

This concept was discussed in Chapter 2; and it refers to the net present value of income generated by an individual customer over a certain period of time (Ferrel & Hartline, 2011:380). LTV highlights the fact that certain customers are worth more than others, encouraging companies to move their focus to customers that generate the majority of their income, or who have the highest potential to generate income. It also enables financial institutions to increase fee structures to customers that have low potential, through increasing their fees, thereby encouraging leaving, or generating more income for the provider.

3.4.3.6 The average order value (AOV)

The average order refers to the rand value of purchases, divided by the number of purchases made. The AOV should increase over time if customers become more satisfied, and therefore more loyal.

3.4.3.7 Determination of the acquisition and retention costs

As long as it is less expensive to keep existing customers than to replace them with new ones, companies would be better off keeping their existing customer base satisfied.

3.4.3.8 Calculating the customer-conversion rate

The conversion rate refers to the rate of customers that actually buy a product or service from the provider. A low conversion rate is not an issue when a company has an abundance of prospects; but should the number of prospects be limited, actions should be implemented to stop the decrease, and to increase the conversion rate (Rynski, 2011:224).

3.4.3.9 The customer-retention rate

The retention rate refers to the number of customers who consistently repurchase products or services. This number should either steadily increase, or at least remain constant over a period of time; a declining retention rate should be considered a threat to business as a whole (Capon, 2009:20).

3.4.3.10 The customer-attrition rate

The attrition rate refers to the percentage of customers that do not repurchase products or services. This percentage should steadily decrease or at least remain stable; an increasing attrition rate is a cause for concern to financial institutions.

3.4.3.11 The customer-recovery rate

The recovery rate refers to the percentage of customers that exit the company, switching to a competitor, but are then lured back by using incentives or special offers. Switching these customers back would impact the retention rate and positively influence the bottom line.

3.4.3.12 The use of referrals

Existing customers should be requested to refer the service provider; since, by using referrals, a company can grow substantially (Cates, 2008:21). These referrals from an existing customer would already be qualified and tested, and would positively impact the income levels of the company.

3.4.3.13 The use of social communication

By monitoring customers' online commentary, financial institutions can determine the satisfaction levels of their customers; such customers may express their satisfaction or dissatisfaction on blogs, newsgroup or other social media, such as Facebook® or Twitter®.

The retention of a customer and the creation of customer loyalty are considered essential in the process of service delivery. These issues will be addressed in the next section.

3.5 CUSTOMER RETENTION AND LOYALTY

CRM evolved from company processes, such as relationship management; and it aims to increase customer retention through the effective management of customer relationships (Roberts-Lombard & du Plessis, 2011:25). In order to make relationship marketing work, marketers have adopted a customer-management orientation, which emphasises the importance of customer-lifetime value and customer retention over time (Reinartz & Kumar, 2003:80). Customer satisfaction has been empirically shown to be the predominant attitudinal metric used to detect and manage customers' likelihood to stay or to defect (Capraro et al., 2003:170). In the following section, the managing of complaints and the strategies to retain customers will be discussed.

3.5.1 Managing complaints to retain customers

Satisfied customers will always convey a positive message about the service provider; but a dissatisfied customer reacts differently (Bayus, 1985:33). Dissatisfied customers will aim to reduce the dissonance and strive to establish internal harmony, consistency and congruity among their opinions, knowledge and values. Dissatisfied customers may also try to reduce the dissonance by abandoning the product or service provider, resulting in the loss of the customer and the related income to the financial institutions. Customers may also stop buying the company's product or service, spreading negative comments about the company, and damaging the reputation – due to their dissatisfaction.

Sales managers and their staff should take steps to reduce the amount of post-purchase dissatisfaction experienced by the customer. Several actions can be taken by frontline staff; and these are discussed below (Lancaster & Massingham, 2010):

- Apologising: Customers need to feel that the bank cares for them; it is advisable to apologise for the situation at hand – even if the customer is at fault. Create rapport with the customer by thanking the customer for bringing the issue to the attention of the company (Barlow *et al.,* 2009:176). The customer must be informed that the company will take responsibility to resolve the complaint;
- Restatement of the complaint: The complaint has to be restated to the customer, as it is understood by the sales staff, in order to ensure that both the customer and the employees have the same perception regarding the issue. It has to be enforced that the bank will do everything possible to settle the complaint as soon as possible;
- Show empathy: It has to be communicated to the customer that the company acknowledges and understands the issue at hand. Re-emphasise the fact that the issues raised have provided the bank with an opportunity to rectify these matters for everybody involved;
- Restitution of the complaint: At this point companies have to go out of their way to resolve the complaint to the best of their ability. Restitution of the customer's complaint increases the probability of retaining the customer (Zeidler, 2009:44). The intention is to satisfy the customer's expectation, as well as possible by

going the extra mile. After resolving the issue, it might be worth presenting the customer with a gift or a voucher to add value, and make the customer feel appreciated; and

- Following up on the situation: Employees should confirm acceptance and satisfaction with the customers before they leave. Employees have to listen to customers and follow up, in order to determine whether the customer is satisfied, as it is more cost efficient to resolve a customer problem than to replace them (Yellin, 2010:130). If possible, the customer should be contacted after a week to ensure that they are satisfied with the rectification of the complaint.

Managing customer complaints fulfils a very important role in the sales process, as it provides customers with comfort; but it also limits the damage to the relationships between financial institutions and their customers. Managing customer complaints protects the customer relationship, and limits switching to competitors.

3.5.2 Retention strategies

It is vital for companies to have a better understanding of the relationship between customer satisfaction and the duration or lifetime of the business relationship. This is necessary, in order to identify those specific actions that could improve the retention rate and profitability in the long run. In-depth knowledge of customers and their relationship would enable the service provider to design the interaction, select relationship segments, and allocate resources appropriate to maintain and grow the customer base (Fournier & Avery, 2011:64).

Below are fourteen strategies that could be considered to improve the retention rate and to retain customers.
The first strategy is that of smoothing prices over the customer's lifecycle when markets are volatile, and price wars exist. Customers want stable prices, products and service value, as this takes uncertainty out of the equation. Companies can manage their retention rates by reducing their actual or perceived volatility, and thereby limiting price wars (Sherden, 1994:44).

In order to do this, the customer has to be charged a stable price, regardless of changes in the service provider's own costs. Banks can do this by fixing costs to the customers, which means that transactional income has to be fixed, and any interest rate risk has to be hedged.

The second strategy is based on the fact that relationship profitability has to be based on the overall cost to sustain the relationship. Structuring costs to customers, based on a long-term profitability view would result in companies making trading losses on volatile or highly competitive products. A company's pricing on less competitive products or services, which have higher margins, would make up for such losses (Geller, 1997:60).

A third strategy is that of cross-selling additional products or services. Banks can sell more into non-financial service markets, such as the selling of electricity or airtime to increase their cross-selling (O'Donnel, Durkin & McCartan-Quinn, 2002:274). The more products and services that are sold to a customer, the more dependent the customer will become on the company with which they are dealing. As a result of cross-selling, dependency can be a very effective strategy to strengthen and deepen relationships with customers, increasing the income generated and stepping up switching cost to the customer, thereby binding the customer to the service provider. Cross-selling will be discussed in more detail in Chapter 4.

A fourth strategy is to focus on employee satisfaction and retention. A common reason for customers defecting to competitors is because of the loss of personal relationships with employees. A high level of staff turnover not only increases costs; but it also makes it very difficult to excel in retaining customers. It might even be that companies experience severe losses due to switching to the ex-employees' new employer. A high staff turnover also creates a very negative environment in which to work, which could escalate customers' frustration levels. It is essential that financial institutions create a working environment, which provides career opportunities, meaningful jobs, and a high level of involvement in the company itself. This was elaborated on in the discussion of the service-profit chain.

A fifth strategy is the internalisation of customer relationships. If a customer only has contact or correspondence with one employee within the company, there is a risk that should this employee be lured away by competitors, the customer might switch to the competitor. Companies must implement low-cost strategies to solidify their relationships with their customers, so that they are aware of the value in such a long-term relationships (Dibb, 2001:21). An example of this in the banking industry would be customers having multiple entry points to the bank, with one sales manager managing the customer relationship.

Bank customers would then engage with the representatives of electronic banking, customer care and operations on a matrix basis – with the ultimate responsibility of the relationship, and all interactions with the above-mentioned product houses still vested with the relationship manager.

A sixth strategy includes service improvement through electronic linkages. Creating a long-term close relationship with customers requires a strong co-ordination between technology and marketing departments (Lombard & du Plessis, 2011:829). Companies can limit the switching of their customers by improving service levels through using technology, such as contact with customers by short message service (SMS), e-mail and other electronic media, such as Facebook® and Twitter®. Bank customers can access their information, including statements and applications lodged through electronic banking platforms.

These services have to be of a high quality and integrated into the company's retention strategy, in order to be effective.

A seventh strategy is making every customer contact count. Financial institutions must ensure that when a multiple-contact sales process is used, that the service levels of all the participants are up to the same standard. If not, one employee may have a negative effect on the relationship and compromise all the work that others have done. Each contact with the customer should result in a positive experience; and each relationship has to be scrutinised, to ensure that it contributes to the company's efficiency and overall profit (Hunt, 1997:436).

Creating a database for defections experienced is an eighth strategy. When dealing with customers on a relationship basis, it is necessary to detect when changes occur in customer-spending patterns. There exists a necessity for the creation of a database that alerts management when a decreasing sales pattern starts evolving. This would enable a company to limit its losses and speak to customers before they switch to competitors.

The ninth strategy is keeping the company in the customer's thoughts. The intention of this strategy should be to keep regular contact with customers, in order to be uppermost in their mind, when customers consider a bank or financial services. When regular communication takes place between the customer and the financial service provider there is a high probability that the customer would call that service provider as soon as another need arises.

In the tenth strategy, it is important to delight customers by doing the unexpected. It is necessary to go beyond only satisfying customers, and to exceed their expectations in anticipation of what they want (Armstrong, 2008:68). It might be worthwhile surprising customers by rewarding them for their continued support. This might be in the form of a corporate gift or just a "thank-you" note. Banks prefer entertaining customers by inviting them to major sporting events, or by attending the arts. This should also create an informal environment in which to socialise with customers.

The eleventh strategy incorporates bringing a human element into the customer-retention programme (Geller, 1997:59). Corporate responsibility is part of any business community. Goodwill is created when a company has a community programme that reaches out to the community, while involving customers as part of the outreach. Banks sometimes have large community programmes, an example of this would be banks subsidising the building of low-cost housing, in order to assist the needy. During these processes, customers could be invited to participate and to give of their time and money.

Through co-responsibility to the community, a bond can be created with these customers.

The twelfth strategy is to maintain interaction with customers. This refers to listening to the customers' needs and requirements. Successful interaction requires that the company, sales staff and customers meet their standards for successful interaction (Hodson & Sullivan, 2011:236). When a relationship between a financial service provider and a customer develops, there is always a risk that the relationship becomes so informal that customers' requests and needs are ignored. It is important that the business relationship is adhered to in a professional manner.

A thirteenth strategy is the continuous delivering of value to customers. It is necessary to keep on delivering value according to the customer's definition. Part of the reason the customer has selected the service or product provider is the value experience. If this experience deteriorates, so will the relationship. If the customer is satisfied with the service and quality delivery by the financial service provider, the exit barriers to competitors would not need to be tested; and the customer would remain loyal (McDonald, Millman & Rodgers, 1997:744)

Adapting to changes in the customer's life stages is the last strategy. Individual and business customers move through different life stages; and product or service providers have to bear that in mind. Companies have to be alert to any changes; and they have to adapt their service or value proposition to match the changes in their customers. An example of this in banking would be a bank matching a customer's funding requirements with the annual growth in business, enabling constant expansion and growth for the customer.

A customer-retention strategy is all about the strengthening of relationships between the service provider and the customer through reliable and quality-based interaction, as well as through the fulfilment of obligations – by using the most appropriate resources (Du Plessis *et al.,* 2005:102). The retention of a company's customer base is critical in maintaining a stable business, and a constant income flow. Retaining customers should play a significant role in limiting costs throughout the company.

In the next section, there will be a detailed discussion about generating revenue and profit from the customers.

3.6 REVENUE AND PROFIT

Customers who generate higher revenues tend to balance the share of requirements across banks; and this suggests that banks are not serving such customers well (Du, Kamakura & Fela, 2007: 98). Satisfaction has been linked to retention, retention to profits, and satisfaction to profits, thereby impacting the profitability of customers over time (Perkins-Munn, Aksoy, Estrin, & Keiningham, 2005:246). There are significant and strong associations between satisfaction levels and a company's financial performance. More specifically, there are strong links between customer satisfaction, and retention and revenue (Williams & Naumann, 2011:20). This section will discuss the consequences of poor service and quality.

3.6.1 The consequences of poor service and/or quality

It is necessary to determine or keep track of income lost due to poor service. Losing customers due to bad service will not only result in a loss of income due to the customer leaving, but will add to costs (due to closing of accounts) and a loss of potential income to new customers (due to word-of-mouth), as well as the acquisition costs for attracting new customers. The delivery of poor service relates to switching by customers, as unhappy customers would tend to leave their service provider (Jack, 2004:311). The loss of income due to poor service can be calculated by determining how many customers a company may lose on an annual basis, and what their current annual income to the company entails.

The true loss of LTV income is then calculated by multiplying the expected profit for the year by the annual turnover of the customer, and adding closing and recovery costs (Gerson, 1993:9). When calculating costs associated with poor service quality, it becomes more difficult. The formula used when calculating the loss due to poor service may be used; but there are other factors that should be considered when

determining the cost or value created by superior quality. These factors are addressed below.

There are four factors that can be quantitatively determined to find the cost of poor quality. The first factor is that of performance cost. This is the cost of delivering a product or service that is error-free, in such a manner that it would not have to be reworked or redone. This might entail appointing more skilled staff when delivering a service, or using more expensive components when producing a product. The second factor that plays a role is that of rework or failure cost. This refers to the cost of repairing products or correcting a service delivered. It increases production costs substantially; and it could be classified as an internal or external failure cost (Warren, Reeve & Duchac, 2011: 1125).

The third factor is that of detection costs – referring to the costs incurred when detecting quality problems. These costs may include inspection costs, salaries, as well as additional procedures that need to be in place and that could total up to 25 per cent of the sales achieved (Siegel & Shim, 2006:90). The fourth factor to consider is that of prevention costs. These are costs that are associated with the identification of quality issues before they can become a problem. Costs can be limited when employees are able to inspect and grade their own work.

The reverse is true as well. To determine how much a financial institution would benefit when providing quality products or services, five key areas or aspects can be monitored. The first is that of price. When delivering a high quality product or service, this allows the provider to charge higher prices. The second aspect refers to profitability. Superior quality created by doing things right the first time and matching customer expectations leads to cost savings and increased sales; and therefore, increased profitability (Gerson, 1993:10). The third aspect is that of market share. Customers are willing to pay more for quality, as it is considered value for money; a quality product might, therefore, increase income and the market share. The fourth aspect relates to cost. Improved quality reduces production costs, since there is no repetition of the work done.

Poor quality increases cost due to repetitions and or additional service delivery. Service reliability contributes to the operating efficiencies of any company, by reducing the cost for repeating services already delivered (Smith & Taylor, 2004:29). The last aspect to be considered is that of marketing and advertising. Costs relating to marketing and advertising should decrease for two reasons. The first being increased sales with a set costing structure on marketing, and the second being additional business gained through word-of-mouth marketing.

When considering all the factors relating to poor customer service and quality, it becomes evident that it is essential to deliver exceptional service and product quality. The amount of revenue that can be lost due to poor quality and service can total substantial numbers, and cannot be made up through cost cutting and the expense of cost management. It is important to note that an increase in the monies spent on prevention leads to significant reductions in failure costs (Lewis, 2010:27). It seldom happens that companies improve their product and service delivery through a process of cost cutting. The upside in profitability and increased revenue, due to improved service and quality, outweighs the expense of cost cutting.

Cross-selling is a technique used by salespeople to increase order size and transform single-product buyers into multi-product ones. Cross-selling is a powerful tool to increase sales volume, and therefore, the income generated from customers. Cross-selling and the influence that cross-selling has on income generation will be discussed in Chapter 4.

3.7 SUMMARY

Maintaining the satisfaction of customers at an acceptable level is very important to the sales process as a whole, as well as in the process of CRM. Satisfied customers become repeat buyers; and loyal customers are a constant source of income. Satisfaction has to be managed with the customer’s expectations in mind. In this chapter, satisfaction was defined, the development of a customer-service system was highlighted, and the proactive management of service quality and customer satisfaction were discussed.

The service-profit chain, as well as the influence of satisfaction on loyalty and profit, was addressed. Strategies to retain customers and to measure satisfaction were outlined, as satisfied customers spend more with their service providers – resulting in increased cross-selling. In the following chapter the process of cross-selling will be discussed.

CHAPTER 4

CROSS-SELLING AS PART OF THE CRM PROCESS

4.1 INTRODUCTION

In the current economic climate of difficult trading conditions, banks have experienced that acquiring new customers happens mostly at the expense of the competition, and that these customers are likely to switch again (Kamakura, Wedel, De Rosa & Mazzon, 2003:45). One of the ways to curb switching is for companies to focus on strengthening their relationships with their existing customer base (Day, 2000:1). Cross-selling is one of the main tools for building stronger relationships, because the acquisition of additional products by existing customers assists companies to gain more experience of their customers' preferences and buying behaviour.

It also enhances their ability to satisfy their customers' needs, thereby increasing the switching cost for the customer (Kamakura, Ramaswami & Srivastava, 1991:329).

Cross-selling can also harm or weaken a customer relationship should frequent attempts to cross-sell a customer result in a non-response, or motivate the customer to switch to another bank (Kamakura *et al*., 2003:46). As indicated earlier, it is more expensive to acquire a new customer than to retain an existing one; and therefore, it is clear that one of the main focus areas of CRM is that of cross-selling, thereby increasing the share-of-wallet of each individual customer.

The strategy of cross-selling is an untapped marketing strategy for many financial institutions; and some of these institutions are trying to provide a one-stop experience to their customers, in order to retain them for life (Jarrar & Neely, 2002:283). In turbulent times it is of critical importance that the focus of marketing within the financial sector shifts to managing relationships with customers (Vyas & Math, 2006:123).

4.2 CROSS-SELLING IN PERSPECTIVE

4.2.1 What is cross-selling?

Kamakura (2008:41) states that cross-selling is an old and valuable technique used by salespeople to increase order size, and to transform single-product buyers into multi-product ones. Cross-selling is one of the most useful tools in a salesperson's toolbox – to increase sales volume per customer. Deighton *et al*. (1994:61) defined cross-selling as, "Encouraging a company's customers who have already bought its product A to also buy its product B". Butera (2000:14) defines cross-selling as, "The practice of promoting additional products and services to existing customers in adding to the ones they have".

According to Kamakura *et al.* (2003:46), cross-selling pertains to efforts to increase the number of products or services that a customer uses within a company. Cross-buying is also defined as "…customer behaviour that entails the purchase of additional products or services, as a result of loyalty to the provider" (Florian, 2010:92). Vyas and Math (2006:123) indicate that customers prefer their existing banks when considering buying additional products and services.

These products and services complement their existing range of products and services; and they form part of the expansion of their existing financial planning as and when their business grows.

Cross-selling plays a significant role in increasing income by increasing wallet share, as well as expanding the target market. There are eight keys to capturing more wallet share and deepening relationships when cross-selling to customers (Keenan, 2010:4):

- Use the internet: online trading and account-opening capability increases the rate of cross-selling. It enables the customer to buy more products and services without the bank needing to assist the customer. More customers want to manage their financial needs through the internet, as this reduces costs to the bank and increases revenue;

- Emphasise service to customers: more banks cut costs to offset shrinking profit margins. Improved service delivery results in satisfied customers, who buy more products and services;
- Reward good customers: customers want to be rewarded for having a deeper financial relationship. Making use of personalised costing structures encourages customer to take up more products and services, as this then leads to reduced pricing, and ultimately lowering costs for the customer;
- Reward and educate employees: one way of increasing cross-sales is by offering incentives to employees. They need to be rewarded, based on market share goals instead of products and services only, as pushing these may lead to customers ending up with products they do not really need;
- Court small-business customers: Small business are often family-owned, meaning these individuals also need banking products and services. By cross-selling business, personal products and services, the income generated from a single relationship can be increased substantially;
- Focus on marketing: well-thought-through marketing campaigns would lead to soft selling. Promotions prompt customers to ask about products, opening the door to the selling of more products and services;
- Embrace CRM technology: there is software available that can be integrated into core processing systems, giving bankers a complete view of their customers. This enables cross-selling to customers in a more effective way; and
- Building trust: customers will not move their money to banks if they believe there are hidden fees and costs involved. The inner workings of products should be clear and readable. Wallet share is as much about how the company is experienced on a daily basis, as to it merely being about sales.

4.2.2 Cross-selling as part of Customer relationship management

Cross-selling forms part of a well-constructed CRM process (Wübben, 2008:4). Tanner *et al.* (2009:102) state that companies that adopt a CRM strategy tend to follow three distinct stages. Initially, managers view CRM as a system to increase

income by having the right information and systems to allow the sales force to cross-sell new products and services to existing customers. In the second stage, it is recognised that CRM allows the sales team to manage existing relationships to earn higher profits. In the final stage, managers fully understand that CRM is the driver of customer-lifetime value. During this sales process, it is evident that the reward for creating customer value is that of increased purchasing, an increase in income, and a reduction in the probability of switching.

Within the sphere of CRM, cross-selling has become a valuable strategy for various reasons. Some of the reasons are financial in nature; while others involve relationship growth with the customer. Firstly, it is surmised that the success rates of cross-selling efforts are two to five times higher than that of cold-calling a customer (Andrew, 1999:36; Zoltners, Sinha & Lorimer, 2011:105). Secondly, it is stated that cross-selling leads to a broader scope in the relationship with the customer, as it not only increases the wallet share of the customer, but also opens financial service providers' "share of mind" with the customer (Kamakura, 2008:43).

Thirdly, the financial service provider broadens the scope of the relationship through cross-selling, thereby increasing the actual and psychological cost of moving business to a competitor; and therefore, improving the customer-retention rate (Kamakura *et al.*, 2003:45). Lastly, the purchase of additional products or services by a customer deepens the relationship between the service provider and the customer, resulting in a deeper understanding of the customer's needs, improving its ability to target their marketing and cross-selling efforts better (Kamakura, 2008:43).

For the reasons mentioned above, many customer-oriented companies are thus using cross-selling as a tool when developing and deepening their customer relationships.

Banks should develop individual personal relationships with their customers, in order to be able to present these customers with customised products, services and marketing mix, in order to better serve their individual needs (Dibb, 2001:18). As said before, this can be done by creating a comprehensive CRM programme. In order to

create a successful cross-selling programme, it is essential that a comprehensive database be created, in order to enable sales staff to extract customer information with ease and avoid duplication in contact (Vyas & Math, 2006:123). While personal chemistry drives the success or failure of cross-selling at a bank, these associations with customers are not established in the short term; and bank representatives must be patient and pay attention to detail, especially in the starting phase of a relationship (Sisk, 2007:33).

Behaviour-driven marketing solutions recognise the changes in individual customer behaviour; and they are designed to drive offers based on such behaviour (Caplan, 2001:104). Using behaviour-driven solutions can be very effective in the process of cross-selling. When monitoring acquisition patterns of customers, either on a one-on-one basis or through a database, the information gathered may indicate activities that signal interest or the need for additional services. The messages can be delivered to customers through different channels, including sales managers, call centres, cellular phones, e-mail or direct mail.

If critical information is provided to sales staff on the prospective cross-selling product or service, the results in term of sales generated could be outstanding. The behaviour and approach of bank employees is also important when cross-selling products or services. For instance, the best and easiest opportunity that bank employees have to sell bank services is when a customer opens an account or applies for a loan (Hudson, 1995: 68).

Establishing an objective of how many products or services should be sold when opening an account for a new customer could be a basic method of motivating staff behaviour and capitalising on this first customer contact. Cross-selling can be understood as making the right analysis and suggestion at the right time – without being intrusive. The success or failure of cross-selling depends primarily on the message, timing, relevance and communication channel used to deliver the sales message (Caplan, 2001:104).

In the past, customers had to accept the pricing structure of products or services delivered by banks, as these services formed part of a set delivery channel in a rigid industry structure. Customers were thus locked into patterns, and had few incentives to change their bank (Becket, Hewer & Howcroft, 2000: 15). Consumers in today's business world are far more willing to change their behaviour when dealing with financial products and services, resulting in bankers being more uncertain whether they will retain customers.

Bankers can no longer rely on the traditional banker-customer relationship, in order to maintain the retention of their customer base; they have to respond to changes in the market place, and not simply anticipate their customer's behaviour, but also pro-actively influence and determine that behaviour, in order to increase retention levels and maintain profitability (Becket *et al.*, 2000:15).

In the current economic climate, the issues of customer retention and profitability have become paramount to the success of any business, including banks. Satisfaction and past purchase history provide opportunities for companies to cross-sell related and unrelated products to their existing customers, as customer satisfaction is positively related to cross-buying (Padmavathy, Balaji & Sivakumar, 2012:252). Understanding customer behaviour and how it relates to increased profits through cross-selling and cross-buying is the key to creating a competitive advantage in any economy.

Higher profits from customers who have a longer business lifespan can come from many sources, such as lower serving costs, willingness of the customer to pay higher prices, as well as periodic buying (Reinartz & Kumar, 2000:17).

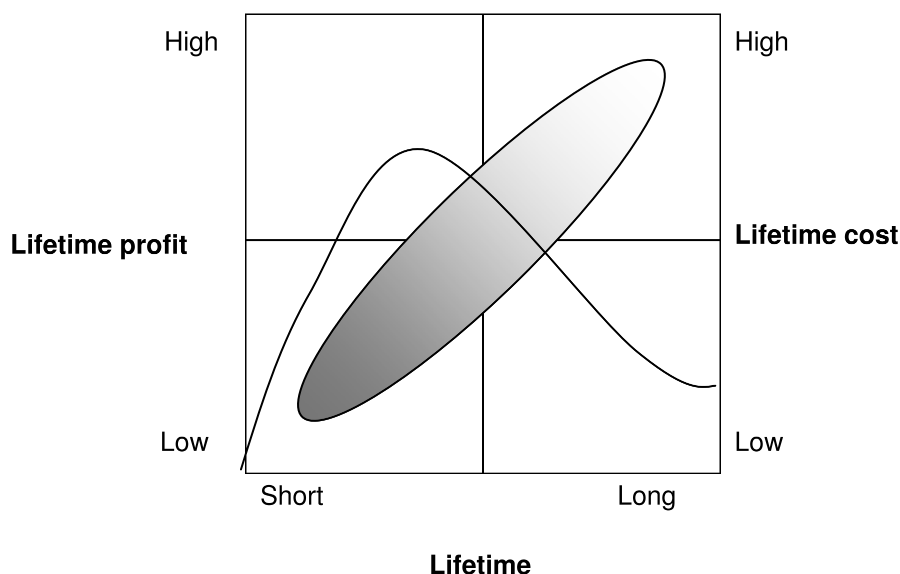
Relationship-based selling embraces the need for maintaining long-term customer relationships, especially with the options of cross-selling and time-based costing (Reichheld & Teal, 1996:27). It is considered to be beneficial to serve customers over a long period of time, especially when a formal relationship exists, as is the case of a bank and its customers. Reinartz and Kumar (2000:19) highlight four constructs that need to be considered when evaluating the income generated from a customer over the lifetime of the relationship. Figure 4.1 depicts these constructs,

and they consist of the customer lifetime-profitability relationship, the value of profits over time, the cost of serving customers over time, and the prices paid by long-term customers. Below is a brief discussion on each of the four components.

4.2.2.1 The benefits of long-term relationships

The assumption regarding long-term relationships is that they are more desirable, since they are considered more profitable than short-term relationships, due to greater exchange efficiencies and customer-retention economics (Sheth & Parvatiyar, 1995:257). The contractual relationship between a banker and the customer is worthwhile, as there is no repeated cost after the initial start-up cost. It is obvious that satisfaction is the key to a long-term relationship, but certain competitive markets may alter this relationship (Jones & Sasser, 1995:89). An example of this would be a very competitive banking environment with low switching costs.

Figure 4.1: Lifetime, value and cost association



Adapted from: Reinhartz, W.J. & Kumar, V. 2000. On the profitability of long-life customers in a non-contractual setting: an empirical investigation and implications for marketing. *Journal of Marketing*, 64(4):17-35.

Some studies reported that profits will increase, because loyal customers are more willing to accept premium pricing, and they buy more. Reichheld and Teal (1996:67) found evidence supporting the argument for increased revenue over longer customer relationships. This could be true for contractual (short-term) relationships with fixed set-up costs found in banking, when compared with non-contractual relationships, where income levels may fluctuate annually, resulting in basic costs exceeding income.

An example of the latter might be catalogue sales, where customers end up buying products one year; but the next year they do not buy anything.

Long-term customers have lower cost structures. Customers who switch from competitors, and are in committed relationships with a company, are relatively low on maintenance (Blattenberg & Deighton, 1996:137). It is argued by Wang and Speigel (1994:75) that loyal customers generate higher net margins, because they have lower marketing costs. The only cost that may result in long-term customers generating higher than anticipated costs, especially in the banking environment, is that of loyalty programmes (Mohs, 1999:3).

Banks have to be cautious when calculating the actual income generated from customers, especially when loyalty programmes are involved, as loyalty programmes may result in a break-even or even in a loss scenario.

Long-term customers pay higher prices. In most industries, existing customers will accept higher prices more willingly than new acquisitions, because customers who have a longstanding relationship with a company know the procedures, products and services. These customers place value on the relationship with their product and service provider (Reichheld & Teal, 1996:140). One aspect that should be considered is that even long-term customers who buy in bulk are value-conscious. Such customers want value for money, and a discount for volume purchased (Teng, 2009:16).

These four components play a significant role in long-term relationships, where satisfaction and cross-selling mean a longer and more profitable customer relationship. It also explains the relationship between costs, profits generated, lifetime and price increases paid by customers. There are different approaches to cross-selling within the broader financial sector.

In the next section cross-selling approaches, with a specific focus on cross-selling within banking, will be discussed.

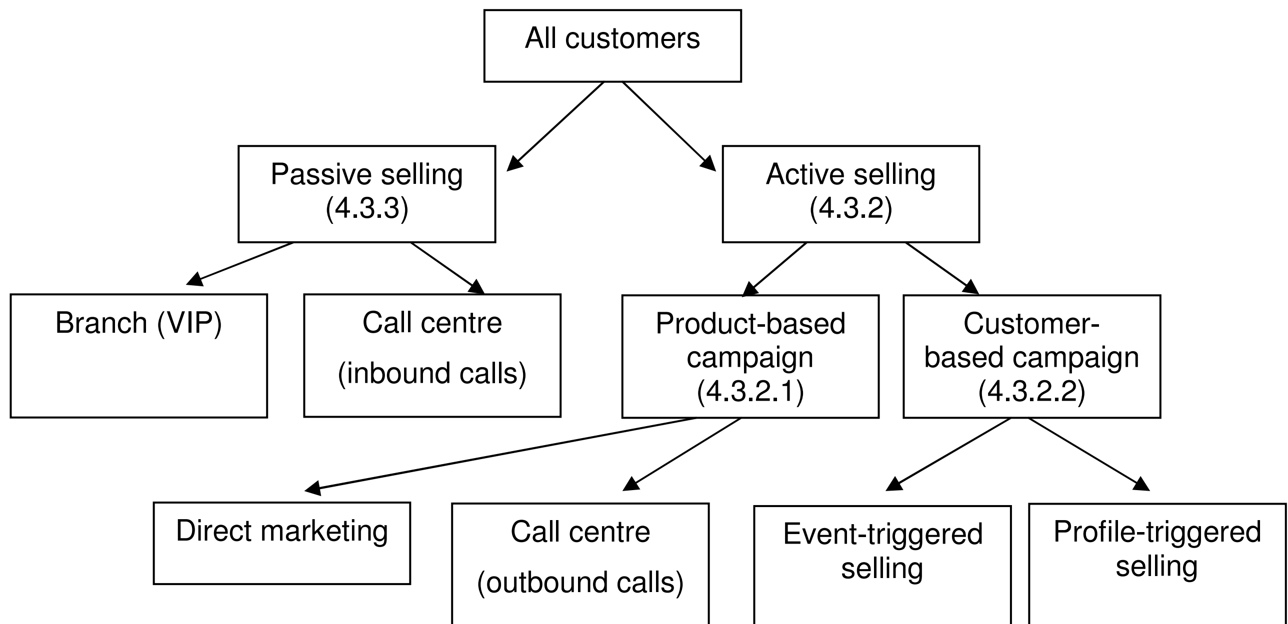
4.3 CROSS-SELLING APPROACHES

4.3.1 Cross-selling approaches in the banking industry

Lau, Chow and Liu (2004:216) believe that cross-selling is the key value enhancer of the future; and they state that the massive volume of intelligence generated from databases within the banking system enables banks to revolutionise their sales and marketing processes, in order to achieve more effective selling of products and services. The authors further posit that the five main goals of bank marketing are: cross-selling, the retention of existing customers, increasing the utilisation of facilities by customers, the acquisition of new customers, and achieving a balance between costs and service quality presented.

Cross-selling activities are structured processes, and the composition of those processes is illustrated in Figure 4.2.

Figure 4.2: Cross-selling approaches in the banking industry



Source: Lau, K.N, Chow, H. & Liu, C. 2004. A database approach to cross-selling in the banking industry: practices, strategies and challenges. *Database marketing & customer strategy management.* 11(3): 216-234.

Figure 4.2 serves as a guide for the remainder of the discussion on cross-selling approaches. According to Chu, Gerstner and Hest (1995:98), there are two approaches to cross-selling in banking, namely: selling in active mode, or selling in passive mode. Active selling comprises proactive sales efforts initiated by the bank to identify prospects for its products and services. This can be achieved through a product-based campaign or a customer-based campaign.

Passive selling is referred to as "capturing the cross-selling opportunity arising from a customer coming to the branch or contacting a call centre for services on his or her own initiative" (Lau *et al.*, 2004:217). For many years, banks have concentrated on selling products and services through an active process. Considering the volatility in the markets, as well as the current economic climate, it might be wise for banks to follow a passive selling route, as a properly managed customer-based system has the potential and systems to make up for any lack of personal knowledge of the customer (Hughes, 1992:11).

4.3.2 The active approach to cross-selling products and services

The method of active-based selling includes both product-based selling, as well as that of customer-based selling; but it excludes inbound calls received by call centres (Stockton, 1998). Product-based selling is also known as campaign management; and it generally refers to the pushing of products to existing customers, based on product and service benefits, while customer-based selling refers to attempts to sell products to customers, based on their needs.

4.3.2.1 Product-based selling or campaign management

A product-based strategy generates growth by identifying new and existing markets, where existing financially successful products can be sold (Ward, 2004). Product-based selling falls within the market development segment of the Ansoff matrix, as discussed in Figure 4.3 (new products) and market development (existing products). Product-based marketing campaigns have been successfully applied by financial institutions for many years. When using product-based marketing, mass advertising, promotional events and sponsorships are the main tactics to execute this strategy. Banks and other financial institutions have recently used direct marketing and telemarketing, in order to acquire new customers on a proactive basis. An example of this would be banks sending offers on credit cards or term loans to customers through mail marketing.

Banks could also target customers to sell basic insurance products through call centres. Banks need to follow-up on their own cross-selling successes with co-ordinated programmes to manage multi-faceted household-credit relationships (Tambor & Alverson, 2009:2). It must be noted that the response rate of mail marketing showed a downward trend during the early 2000s, causing customer-acquisition costs to rise by up to four times compared with before. The reason for this lies in competition, product lifecycle, and the proliferation of direct mailing (Lau *et al.*, 2004:219).

The continuous development of products also has a down-side, as the constant attempts to meet and exceed customer's needs result in short lifecycles for banking products and services – where new products are frequently replaced. Continuous development falls under the product-development segment of the Ansoff matrix (refer to Figure 4.3).

The competitive edge that new products deliver is being depleted, as customer loyalty is undermined when over-selling takes place through call centres. In order to increase the success level of this method of selling, three areas of focus exist. The first focus is that of information technology and data mining. Target marketing implies that the identification of the right customers or market, and data mining, could play an important role in increasing sales; and the use of databases for the cross-selling of new services and products is important in CRM (Kamakura *et al.*, 2003:45).

Most banks store masses of data relating to their customers through data warehouses in raw format. Banks use data analysts to extract valuable information regarding their customer base, resulting in marketers understanding their customers better. Such data are a bank's way of providing new products or services, because without reliable data, the sales effort would be undermined (Joseph, 1993:62). Marketers are becoming more aware of the value of collecting, reworking and interacting with customers, based on the data received from the data warehouses. It is, therefore, critical to establish a mechanism for collecting data during sales processes, as this would lead to more effective data mining and feedback.

The second focus area is that of people, mainly sales staff. Through database analytics, companies are uncovering a large number of static relationships – indicating an emerging trend of diminishing customer relationships (Lau *et al.*, 2004:221). Data specialists tend to put a lot of emphasis on extracting the right solution through system-driven processes, while the answer to the right product may lie in a simple solution (Yan, 2009:5).

The major role of database business intelligence is to generate cross-selling listings, according to customer profiles, instead of trying to provide answers to questions that marketers could do in a one-to-one discussion.

The third area of focus is that of organisational and sales structures. In recent years, call centres have emerged as one of banks' favourite channels of service delivery. These centres may be in-house, or outsourced, offering service delivery with effectiveness and speed. To service a vast number of customers, banks outsource their call centres, in order to be more effective and competitive in the marketplace. The vast number of calls received allows banks to accumulate comprehensive databases of information on a wide variety of products, services and relationship details.

Advanced systems allow for the capturing of relationships' details, and the company must collect information about these relationships across the delivery channels and from different sources within the company (Ryals & Payne, 2001:7). An example of this would be a bank creating a database with details for each business customer including: the type of company, who the directors are, what their interests are, as well as in-depth relationship and sales planning.

In such a case, the details on the database are updated by the relationship manager. Using updated knowledge gained from large-scale databases, banks' call centres are in the position to advise banks on the best approach to target their customers in order to cross-sell more products or services. By doing this, call centres can add value to sales processes by maximising campaign effectiveness in matching customer segments to customers with the relevant and appropriate characteristics and products.

A relevant sales message, the seamless integration of front-and-back-end operations and objection-handling tactics are powerful determinants of overall campaign success. Over the last two decades, the financial services market has become extremely competitive (Prinzie & van der Poel, 2006:714). Due to the high

level of competition in the market, banks view every interaction with customers as an opportunity to learn more about the customer, and to integrate this additional knowledge in their value proposition, in order to customise relationship management and service delivery, and thereby to retain their customers.

4.3.2.2 Customer-based selling

Customer-based selling refers to the selection of products or services for individual customers – based on their preferences and needs. Customer-responsive activities are used to find the best way to satisfy individual customer needs (Kale, 2009:19). Customer-based selling falls within the market penetration segment of the Ansoff matrix (refer to Figure 4.3). There are two types of customer-based selling: techniques that are relevant to the financial institutions: one being event-triggered selling and the other profile-triggered selling.

Within event-triggered selling, there are two types of events that lead to specific cross-selling opportunities. The first is that of external events, which relate to incidents occurring externally to the banking environment, but which can be used by the banking sector to cross-sell more products and services. An example of this would be the possibility of a central bank raising interest rates - thereby leading banks to urge their customer to hedge their interest rates, by using secondary market products, such as interest-rate swops.

Demand creators or salespeople, do not rely on external events only to stimulate buyer demand; but they are proactive and they can actually create the external event (Miller & Sincovitz, 2005:176). This selling action presents an opportunity to sell more products, increase income; but it also addresses the customer's needs. Internal events relate to processes or actions within the banking system that lead to cross-selling opportunities (Miller & Sincovitz, 2005:177).

An example of this could be a birthday programme, where the bank offers the customer special rates on products on their birthday, or instances where customers

have fixed deposits that expire at a certain date. This will provide an opportunity for the banker to contact the customer and suggest different product offerings.

In addition to having different focuses on their marketing efforts, the techniques and resources of sales efforts also differ (Obertsein & Alleman, 2003:88). Table 4.1 provides examples of common cross-selling programmes used in banking. Examples are presented in external, as well as for internal event types. When analysing Table 4.1, it becomes evident that not all events can be identified within in-house databases. Events, such as the public listing of companies, the buying or selling of properties, and payments during the tax season, all form part of the public domain; and these can be very useful in creating event-driven opportunities.

Should an external listing be used to cross-sell, marketers have to obtain consent from the relevant parties, in order to use such data. It is worth noting that many of these opportunities are time-based, and are present only in a limited window period.

Table 4.1: Event-triggered cross-selling programmes used by banks

Event type	Event	Sources	Marketing actions
External	First property purchased	Property developer	Cross-selling life insurance
	Payment of tax	Government	Cross-selling of tax loan
	Initial public offering	Newspapers, stock market	Cross-selling of investment related products
Internal (Life stage)	Birthday	Customer declaration	Discount coupons
Internal (Utilisation related)	Attrition	Drop in assets / activities	Tailor- made retention actions.
Internal (Contact change related)	Change in address	Customer declaration	If moving to a better area, upgrade insurance products.

Adapted from: Lau, K.N, Chow, H. & Liu, C. 2004. A database approach to cross-selling in the banking industry: practices, strategies and challenges. *Database marketing & customer strategy management.* 11(3): 216-234.

Banks need to take prompt action, in order not to miss such opportunities, as they are considered a low cost and easy way to reach prospects (Foss & Stone,

2003:236). Profile-triggered selling is the result of an extensive and in-depth understanding of a customer's profile; and this may result in profitable cross-selling opportunities.

The success of cross-selling lies in gaining access to proprietary knowledge based on the known customer profile to facilitate personalised selling (Lau *et al*., 2004:226). Should banks be in the position to create a well-defined customer profile base, they would then be able to take advantage of product-bundling, and therefore, provide a one-stop service addressing a wide range of needs for those customers who have the same customer profile (Blythe, 2009:219).

In order to be effective, profile-based selling has to include the usage of a very effective customer-profile system. Lifestyle marketing is a good example of profile-triggered marketing or cross-selling; and this might include demographics, such as gender, age, marital status and the utilisation of services provided. Selling through lifestyle marketing provides a richer and deeper understanding of the consumers in these markets (Cahill, 2006:43). When considering cross-selling to the business market, there might be other elements applicable, such as buyer behaviour, occupation or buyers' economic classification. Table 4.2 presents examples of profile-triggered selling or cross-selling opportunities.

Table 4.2: Profile-triggered or cross-selling programmes used by banks

Profile type	Profile	Characteristics	Possible Cross-selling actions
Occupation	Architects, civil engineers and quantity surveyors	High-risk professionals, high income with less stability	Integrated accounts with higher interest rates and lower fees to lock in funds
	Medical professionals	Risk of contracting diseases	Insurance-related product with accident cover
Life stage	Young executives	High income, building asset base	Offering business loans, commercial asset finance or investment-related products.
	Near retirement	Having lump sum of cash, losing medical cover	Presenting retail bonds, guarantee funds and medical insurance
Behaviour	Price conscious	Sudden increase in credit-card spending	Discount on bundle services, offering of investment services
	Frequent traveller / staff	Frequent payment of credit card, payment of foreign currencies.	Offering of travel and medical insurance, foreign exchange products

Adapted from: Lau, K.N, Chow, H. & Liu, C. 2004. A database approach to cross-selling in the banking industry: practices, strategies and challenges. *Database marketing & customer strategy management,* 11(3): 216-234.

It must be noted that the bundling of products requires a well-balanced co-operation between different departments on a cross-matrix basis, in order for the offering to be accepted. The biggest challenge with a profile-based selling strategy is the question of how to identify the right customer profile (Mueller, 2010:150). Table 4.2 offers examples of profiles, based on occupation, life stage, as well as behaviour. When using lifestyle as a profile base, information can be accessed from internal, as well as external sources. Lifestyle-market strategies that include competitive advantage, competitive positioning and niche-product lines can all form part of a company's strategic marketing planning (Michman, Mazze & Greco, 2003:7).

Information obtained can be added to the CRM database to create triggers for cross-selling. Matching the occupational nature of directors of companies, or executives of companies enable banks to cross-sell products to these individuals. Not only does occupational information reflect the affordability and needs of the individual, it also

serves as an indication of long-term commitment. These individuals are also the decision-makers in businesses. These decision-makers present opportunities for cross-selling into these companies; and they offer the opportunity to move the accounts, from competitor banks.

Behaviour patterns can be sourced from operational accounts, for example, cheque accounts or credit cards.

The spending patterns on these products listed above can lead banks to send individualised marketing messages to customers, in order to cross-sell more effectively.

4.3.3 The passive approach to cross-selling products and services

Traditionally, bankers had a passive approach to the selling of products and services, where they wait for customers to come to them. However, in today's highly competitive market, managers have redefined the roles of bankers to include selling as part of their job profile (Richardson, 1992:4). The process of passive selling implies that banks promote products and services to customers, while servicing them at branches or via the telephone. This enables large banks to reach a wider customer base, even with limitations on their marketing budgets.

Customers with high income potential would be approached through active selling under a CRM process, while the remaining customers would be taken care of through passive-selling methods. In order to facilitate a passive-selling process, a detailed, customer-specific needs analysis and marketing plan has to be compiled, which should include product pricing, as well as communication to the customer. A needs analysis and marketing plan can only be constructed by analysing existing databases, as well as including spending patterns, customer needs, affordability and financial planning. A suitable analysis structure is needed for increasing customer value through cross-selling (Paas & Molenaar, 2005:88).

When determining which products should be sold to which customers, and at what price, parameters should be developed, in order to eliminate duplication of product-selling to customers. The successful implementation of a holistic framework for personalised selling plans to sales staff includes business rules and careful execution of processes. Financial institutions are aware that the key to revenue growth is working harder to improve CRM and implementing cross-selling strategies (Lymberopoulos, Chaniotakis & Soureli, 2003:35).

Most retails banks have their own electronic or telephone banking service centre (call centres) to provide convenient banking to customers. These call centres not provide customers with general information, but they also assist customers transfer requests, product information and changes in products and services. Banks make use of these electronic interventions with customers to cross-sell their products to such customers.

Certain branches of banks also provide a VIP desk, where selected customers get preferential service, and in certain instances, pay lower fees than the rest of the customers.

The processes, as set out in Figure 4.2, illustrate structured approaches for cross-selling in the banking environment. They provide an explanation of active as well as passive-selling techniques, and also the processes relating to these techniques. In the next section the elements needed to create a successful cross-selling structure will be discussed.

4.3.4 Prerequisites for a cross-selling process

When constructing a cross-selling structure within a company, there are certain building blocks that are considered essential for the implementation of the sales process. According to Jarrar and Neely (2002:287), there are 12 elements that need to be incorporated into this process. These will be briefly discussed below.

The first element to be included is that of product and service knowledge. Staff need to be knowledgeable on the products and services the bank provides, what the benefits of these products and services are, and how they could satisfy a customer's needs. Secondly, there is the use of piloting strategies by financial institutions. By using a gradual growth strategy, building a competitive advantage in geographic areas through a process of trial and error, many banks have managed to gain a strong presence and market share. A strategy of gaining as much business as possible in the shortest period of time is thus not necessarily the best option.

Thirdly, contact rules have to be considered. It would be logical to set a policy regarding the rules of engagement with new customers. These rules should not be restrictive, but should assist and empower sales staff, in order for them to react appropriately in any sales environment. The rules of engagement should be easy, in order to enable staff to follow them step by step (Holden & Burton, 2010:18).

The value of a real-time data system is another element to consider. The database used should enable sales staff to access customers' information from all divisions within the company – to provide a holistic view of the customer – in order to make informed decisions. The fifth element is that of consistency. The key to realising the potential value of a cross-selling programme, no matter what approach a company follows, is consistency in effort (Jarrar and Neely, 2002:287).

The sixth element is an in-depth knowledge of the sales force. Management must know the level of product knowledge, sales skills, knowledge of customer base, and the preferences of their sales force (Joseph, 1993:62). The seventh element is training. Training incorporates a range of skills, including selling, as well as listening skills. Sales staff need to be trained, in order for them to be able to identify sales opportunities. The eighth element is making cross-selling of products and services a priority. It is the responsibility of management to assist sales staff, in order to integrate cross-selling into their day-to-day activities. Sufficient resources and discipline need to be committed to cross-selling through a process of management supervision.

The ninth element for creating a cross-selling structure is the fact that sales staff need to know and accept that cross-selling is part of their job profile. They would need to learn to discipline themselves, so that they can discuss the full range of products and services, as well as the benefits to each customer. The costs of acquiring the customer have already been paid; and the staff need to offer more services to the customer (Burke, 2000:39). The 10th element of a successful cross-selling programme is taking ownership of the customer.

It is the responsibility of the sales staff to cross-sell, in order to keep customers well-informed throughout the whole process, and to ensure that all questions and objections are answered, and all issues are addressed.

The eleventh element of a successful cross-selling structure is that of quality assurance. A well-structured process of quality assurance can be done via monitoring, in order to ensure compliance, the reinforcement of positive habits and listening to the customer's recommendations to the bank (Jarrar and Neely, 2002:287). An example of this would be a customer indicating what actions of staff members or processes by the bank they consider as being excellent service.

The last element of the cross-selling structure consists of reward and recognition. It is essential that staff benefit from a cross-selling structure. Sales staff and customer-service representatives should be compensated for their sale efforts and for the successful implementation of a cross-selling process (Keenan, 2010:4). Such compensation would encourage staff to participate in an effective rollout of a cross-selling process.

When cross-selling to customers through a set structure, it is worthwhile considering the possible sequence for the acquisition of products, as well as different markets in which to cross-sell. The next section will deal with cross-selling through market expansion.

4.4 CROSS-SELLING THROUGH MARKET EXPANSION

Competition for market and wallet share is becoming fiercer, and with the effectiveness of conventional methods of marketing under scrutiny, cross-selling – including communication through cross-selling – has emerged as an important alternative to traditional methods of communications with a customer base. Cross-selling creates multiple relationships, which increase the exit barriers for consumers, reducing the acquisition costs of attracting new customers to banks (Vyas & Math, 2006:123). As customers increase their level of product or service usage from their bank, the overall switching costs becomes higher, reducing the banks' advertising and fixed costs – resulting in a cost advantage.

When considering cross-selling products or services to the existing customer base, the market expansion strategy of selling these products or services can be explained through Ansoff's product or market-expansion matrix. Ansoff first published his deliberations on the product/market matrix in 1957; and his approach gives perspective on growth options on the horizontal level; and it also introduces the possibility of diversification (Kotler, Berger & Bickhoff: 2010:35). His point of departure was the fact that uncertainties in existing business should result in the spreading of risk through growth into new markets. Figure 4.3 presents a summary of the Ansoff matrix.

The top left cell of Figure 4.3 represents market penetration, thus marketing existing products to existing customers. Here, products or services are not altered in any way, and the existing brand is being built. Companies following this strategy do not seek any new customers; and income is grown from the existing customer base. If there are limited opportunities in other markets and the company's internal expertise is limited, a strategy of market penetration seems advisable. A market-penetration strategy entails no expansion of business activities; but it rather focuses on defending its current position in the market through new strategies for existing customers, new distribution channels (such as online banking) and new uses for the existing products (Kotler *et al.,* 2010:36).

Figure 4.3: The Ansoff product/market matrix

	Existing products	New products
Existing markets	**Market Penetration** Intensifying market development, re-launching products, imitation, cutting cost & prices, unbundling. (Market leadership)	**Product development** New products, new product lines, new problem or system solutions. (Extending the value chain)
New markets	**Market Development** Expanding the market, new customer strategies, new distributions channels, new uses for the products. (Realising economics of scale).	**Diversification** New products for new markets: - Vertical - Horizontal - Lateral (Additional mainstay, risk balancing)

Source: Kotler, P., Berger, H.C.R. & Bickhoff, N. 2010. *The quintessence of strategic management*. Springer: Heidelberg.

In a market-penetration strategy, cross-selling would play a significant role, as more products and services would be marketed to existing market and customer bases.

Market development is represented by the bottom left cell in Figure 4.3; and this illustrates the selling of existing products into new markets (Stone, 2001:51). The product remains the same, but it is marketed to a new target market. An example is the export of a product or service to a new region or continent. For financial institutions, this could be providing corporate funding outside the country's borders. An example of this would be new branches in areas not previously served or new ATM's in remote areas. If opportunities exist in other markets, these markets should be developed (Kotler *et al.,* 2010:36). The selling process would focus on trading existing products to new customers; and the focus would, therefore, not be on cross-selling.

The top right cell of Figure 4.3 represents product development. The main aim of this strategy is to develop new products, in order to satisfy the needs of the existing

market better. This strategy could be relevant when the current market is saturated (Lester, 2009:53). Using knowledge of the existing customers' bases, needs and expectations, as well as leveraging of the relationship structure, new products and services could be developed. This strategy is effective when existing products and services can be replaced by newer ones, selling into an existing market.

Using this kind of strategy, new growth centres on extending the value chain; in other words, upstream or downstream integration is used (Kotler *et al.,* 2010:37). An example of this would be a bank funding a customer's debtor book, instead of providing a normal overdraft facility to the customer, and cross-selling more products.

The bottom right cell in Figure 4.3 represents diversification. The main aim of this strategy is to offset the threats to the existing businesses, by entering into new markets with a new range of products (Lester, 2009:53). By following such a strategy, the market risk is balanced out in a total portfolio, as new markets are being offset against existing markets. Using this strategy, however, poses a trading risk, as marketing a new product range into a new and unknown market is considered more risky than selling into existing markets. Cross-selling to existing customers might be less risky and more cost-effective.

By using the Ansoff matrix as a frame of reference when considering cross-selling strategies, financial institutions can strategically decide where they are currently trading in a market, and where they are heading. The framework is typically used on high-level, macro-based decision-making regarding selling strategies, which would include cross-selling. On the macro level, a more hands-on structure is needed to guide an effective cross-selling process. This process should describe the staff involved, as well as the structure through which selling would happen. Cross-selling can occur in segments of market penetration, product development and diversification within the Ansoff matrix.

Customers form an essential part in the cross-selling process. It is, therefore, necessary to view cross-selling from the customer's point of view. In the next section

a conceptual model of cross-buying intentions will be discussed, in order to provide some context to the abovementioned.

4.5 CROSS-SELLING FROM THE CUSTOMERS' PERSPECTIVE

4.5.1 A conceptual model of cross-buying intentions

The financial crises that affected financial markets worldwide prompted consumers to think differently about how they shop for banking products or services, creating opportunities for cross-selling to banking institutions. Due to the lack in demand for funding, bankers are reconsidering the way they interact with their customers, in order to strengthen and deepen the relationships. According to Keenan (2010:4), cross-selling and relationship banking have a huge priority in going forward. A customer who has just one product with a bank will stick with that bank for eighteen months, but adding one product would increase the time period by a further four years. The broader the relationship, the longer the customer stays.

This discussion regarding cross-selling has to be seen as an extension of the discussion on the service-profit chain, as set out in Section 3.2.1. As cross-selling increases, so do the income levels generated from customers and from the expanding wallet share.

The interest in cross-selling, especially in the financial sector, is due to the advantages that cross-selling has for a company. For example, selling additional services to existing customers could reduce the money spent on customer acquisition, lead to a pricing advantage over competitors, and reducing customers' resistance to cross-selling proposals (Reichheld & Sasser, 1990:107).

Companies have a lower risk, since they know their customers and their buying patterns. They also know that should their customers accept their cross-selling, they are likely to stay longer, which would reduce the risk of switching (Reinartz & Kumar, 2003:80). It is imperative to identify the drivers that lead customers to buy more

products or services from their service providers, subsequently, increasing their cross-buying in reaction to the cross-selling efforts launched by other companies. The drivers of cross-buying are shown in Figure 4.4. The figure includes the concepts of service quality, perceived value and customer satisfaction – as possible drivers of cross-buying intentions.

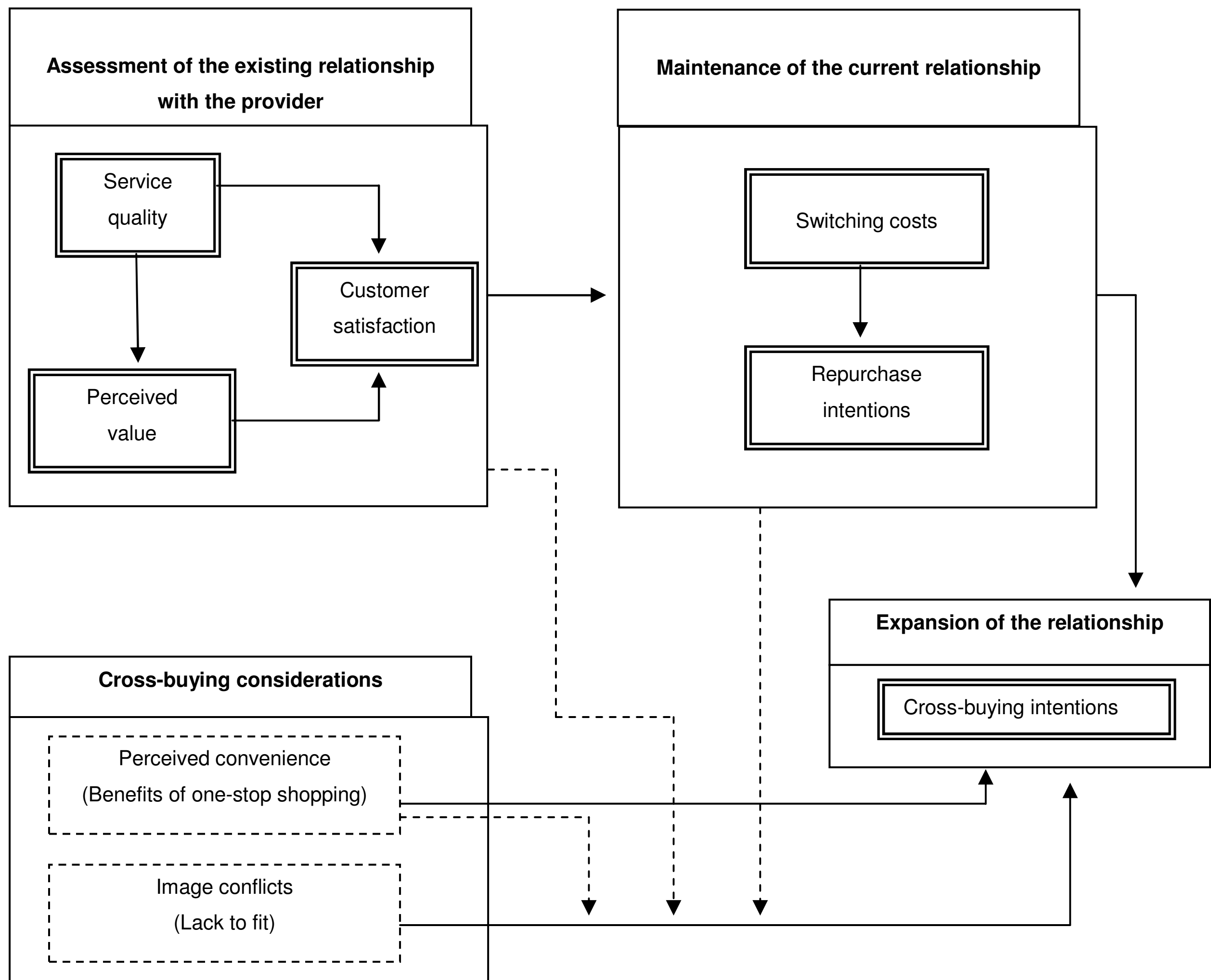
The model set out in Figure 4.4 offers two avenues leading to the formation of customers' cross-buying intentions. The first avenue is based on assessing the current relationship between the service provider and the customer; and the second is based on the cross-buying specific considerations of the customer.

4.5.2 The effect of customers' evaluations of the service experience

When analysing the top left block depicted in Figure 4.4, the relationships between service quality, perceived value and customer satisfaction, and switching cost and repurchase intentions, are considered.

Previous research has shown that service quality is closely related to the value customers perceive that they have received, as well as the satisfaction experienced in the service-delivery process (Varki & Colgate, 2001:236). The perceived value received, as well as the satisfaction associated with the experience, has been widely published (Cronin *et al*., 2000:200, Weinstein, 2002:261). Oliver (1996:144) stated that perceived value is one of the different cognitive operations in the satisfaction-formation process; and it therefore plays a significant role in the decision-making process. Following this statement Ngobo (2004:1149), indicated that the perceived quality is positively associated with the different cognitive operations in the satisfaction-formation process; and it therefore, plays a significant role in the decision-making process.

Figure 4.4: Conceptual model of the drivers of cross-buying intentions



Adapted from: Ngobo, P.V. 2004. Drivers of customers' cross-buying intentions. *European Journal of Marketing,* 38 (9/10):1129-1157.

Ngobo (2004:1149) also indicated that the perceived quality is positively associated with the perceived value, and with customer satisfaction, and that perceived value is positively associated with satisfaction. From the above-mentioned, it may be surmised that there is an interdependent relationship between the constructs of perceived value, service quality and customer satisfaction.

When considering switching costs and service experience, customers become so used to and complacent with their provider's service levels that they refrain from moving to a new provider, since they fear that the new provider would operate in a totally different way (Liljander & Strandvik, 1995:150). If this is true, a positive service

experience should relate to resistance in switching service providers; while a negative service should increase the probability of switching service providers (Jones, Mothersbauch & Beatty, 2000: 266).

The positive relationship between satisfaction and switching is supported by Ngobo (2004:1149). Fornel and Johnsten (1996:10) stated that customers reflecting high scores of satisfaction on service quality, as well as perceived value, are more likely to maintain their relationship with their service provider. These customers are also likely to transfer their favourable evaluation of services and experiences with their provider, and to expand it to cross-buying behaviour (Fornell, 1992:10). Services are produced and consumed simultaneously, as they are intangible, and cannot be evaluated beforehand.

As a result of these characteristics, diversified service companies, such as banks with reputable images can leverage from this, as customers would use their known reputation to select their service providers when purchasing new or additional services (Hitt, Bierman, Shimizu & Kochhar, 2001: 16). The diversification of products or services provides a one-stop service to customers, who are then expected to convert their favourable evaluations of their service experiences into the purchasing of new services (Nayyar, 1993:571). It may therefore be assumed that the concepts of service quality, the perceived value and that of customer-satisfaction are expected to be positively associated with the customer's intentions to cross-buy more services from the same service provider.

Customers with strong cross-buying intentions are more likely to cross-buy from the same service provider. This makes it easier to cross-sell new services to existing customers (Anderson & Mittal, 2000:112). The relationship between cross-buying and switching is never easy to determine; and customers' willingness to expand their relationship with their service provider would depend on the reason why they maintain the relationship. For example, customers with a strong intention of purchasing additional services view cross-buying as a way of increasing the quality of the relationship with their provider (Gwinner, Gremler & Bitner, 1998:110).

Customers who have issues with high switching costs should be more willing to stay, and to ultimately expand their relationship and the services being used with their current service provider (Liljander & Strandvik, 1995:147). It might also be that customers are unwilling to cross-buy too much for fear of being tied up, thereby limiting their options to move to other service providers. Or, they may decide to stay in the relationship because that it is the easiest thing to do. Understanding how cross-selling can impact income levels should influence marketing, sales and the financial strategy of a company (Schmullen, 1995:158).

There are several methods for calculating or predicting possible cross-selling by customers (Schmullen, 1995:159). The cross-selling ratio is measured through determining the actual amount of products used by a customer at a specific point in time, and expressing this as the number of products used (Leahy 2009:67). In this study, the cross-selling ratio will be expressed and measured, as explained above.

4.5.3 Cross-buying considerations

The effects of perceived convenience have to be considered. Customers cross-buy their services from their service provider, in order to gain convenience created by the offering of various products or services via one platform or supplier (Hall, 1999:23). Customers benefit from savings in time and effort; and therefore, many customers want to consolidate their product or service purchases, in order to get them more easily, more quickly, and at a lower price (Seinders, Berry & Grisham, 2000:83). It is, therefore, maintained that the perceived convenience of cross-buying from one provider is positively associated with the customer’s cross-buying intentions (Ngobo, 2004:1149).

The effect of image conflicts also has an impact on cross-buying considerations by customers. When expanding the selection of their services provided, service companies with excellent reputations could gain a competitive advantage, as current and future customers use companies’ reputations when deciding on the purchase of new services (Nayyar, 1993:580). The image that service-based companies portray is conveyed through their service concept (benefits offered), the service delivery

system (staff and technology), as well as by their target markets (customer types served).

Nayyar (1993:589) stated that customers would not believe in a company's ability to provide high quality service if there is no connection between the different business units. These image conflicts might cause inconsistencies between the company's desired image and the customers' expectations, and thereby negatively reflect on the company's reputation (Nayyar, 1993:590). It is, therefore, stated that the greater the customers' image conflicts on the service provider's ability to deliver, the lower the customers' cross-buying intentions would be (Ngobo, 2004:1149).

In this section, a conceptual model of the drivers of cross-buying intentions has been discussed. The relationship between service quality, perceived value and customer satisfaction, as well as the influence of these three elements on cross-buying intentions, has been highlighted. Maintenance of the existing relationship has also been addressed, including the influence of switching costs on repurchase intentions. The impact of perceived convenience and image conflicts on customers' cross-buying intentions has also been addressed.

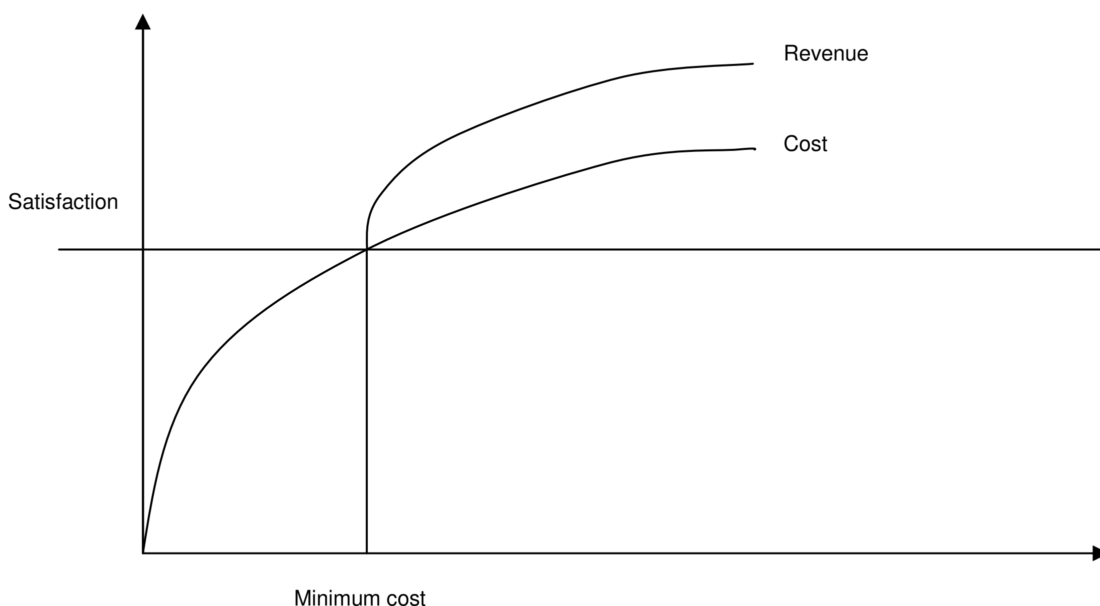
This framework presents a structured view of the interaction between satisfaction, service quality, and perceived value, switching cost and cross-buying intentions.

4.5.4 The relationship between service quality, perceived value and customer satisfaction

Should dissatisfaction occur in a business or trading relationship, the nature of the relationship needs to change, before it further deteriorates. The customer can no longer be considered as a simple prey, but should rather be seen as a partner in a long-term relationship (Gurau & Ranchhod, 2002:204). It is argued that customer satisfaction is the result of customers' perception of the real value received in a transaction or relationship, where the value received is equal to the perceived service quality relative to price and customer acquisition costs (Blanchard &

Galloway, 1994:12). It is also maintained that loyalty creates increased revenue, reduces the costs to acquire new customers, limits price sensitivity, and a company's costs to serve customers due to their familiarity with the company's service-delivery system. If the above-mentioned statements regarding relationships with customers are true, it may confidently be stated that customer satisfaction can provide a good basis for the calculation and prediction of increased customer profitability (Gurau & Ranchhod, 2002:204). When companies deliver superior service and value to their customers on an ongoing basis, they should be able to retain them for a long period of time. Should companies maintain high levels of customer satisfaction, customer defection and the loss of income become increasingly less likely (Weinstein, 2002:267). Figure 4.5 represents the relationship between perceived levels of satisfaction, cost and revenue. When analysing Figure 4.4, it can be seen that there is a relationship between satisfaction level, cost of service, and revenue gained from a relationship with the customer.

Figure 4.5: The relationship between levels of perceived satisfaction, costs and revenue



Adapted from: Gurau, C. & Ranchhod, A. 2002. Measuring customer satisfaction: a platform for calculating, predicting and increasing customer profitability. *Journal of targeting, measurement and analysis for marketing,* 10(3): 203-219.

There is a minimum cost to serve each customer, in order to maintain a break-even level with the minimum income needed at a certain satisfaction level. As the lifetime of the customer relationship lengthens, the fixed costs of serving the customer reduce, thereby increasing the profitability of the customer for the bank (Reinartz & Kumar, 2000:18). Profitability increases due to lower service costs, as well as increase in cross-selling of products and services.

As indicated in Chapter 2, the Customer Lifetime Value {$CLV_i = \sum_{t=1}^{p}(\mathrm{Rt} - \mathrm{Ct})$} for a customer, is equal to the amount of revenue generated by sales, less the cost for serving this specific customer. Best (2000:159) argues that retained (long-term) relationships produce higher revenues and increased margins than lost customer or newer customers. The income generated from these relationships should, therefore, also increase over time – resulting in more profitable relationships. Bolton and Lemon (1999:175) stated that satisfaction has a positive impact on relationship duration, lengthening the income stream of the customer. One could also expect that the perceived fair value of the products and services used would have a positive impact on the perceived value of any additional services acquired by the customer. Judgements on the satisfaction with products and services delivered are based on experience with service providers over a long period of time.

Bolton (1998:50) indicated that there is empirical support for a stronger effect on satisfaction based on longer business relationships. Verhoef *et al.* (2001:374) suggest that in order to strengthen short-term relationships, managers should focus on providing customers with confidence in their product or service provider, in order to create trust and build longer and more profitable relationships. From the discussion above, it seems that there is a link between the cost of serving a customer, satisfaction, lifetime-value, as well as cross-selling.

It is important to contextualise cross-selling to customers in the financial sector. The next section will address customers as prospects for cross-selling in the financial services industry.

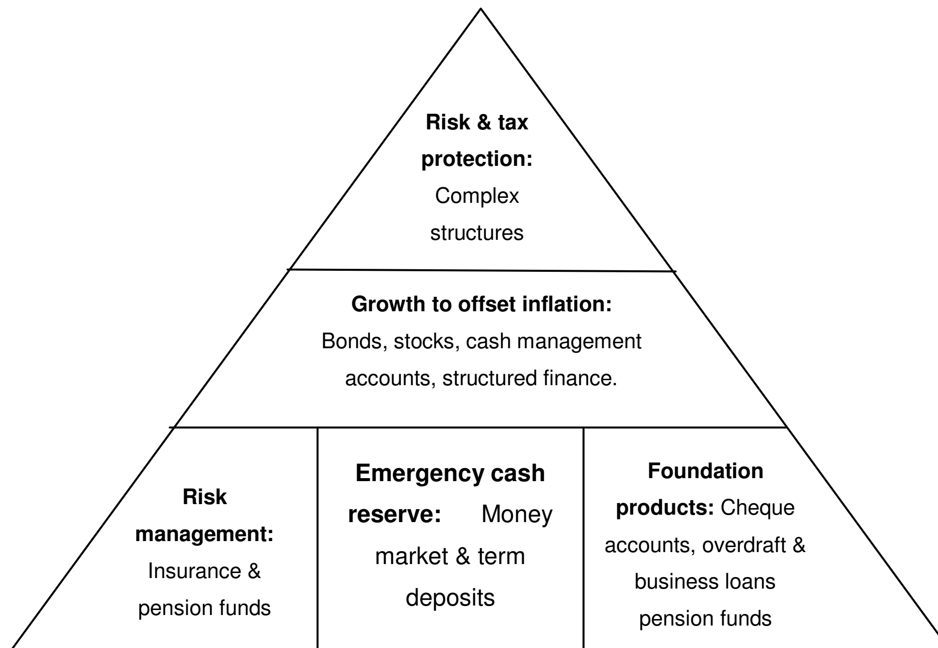
4.6 CUSTOMERS AS PROSPECTS FOR CROSS-SELLING IN THE FINANCIAL SERVICES INDUSTRY

There are two categories of financial services that customers require when planning their financial futures. The first is saving or investment-related services, and the second is credit-related products or services (Kamakura *et al.,* 1991:331). Saving or investment-related services are instruments that are used for the funding of future consumption – based on the current level of savings; while credit-related services are instruments used to fund current consumption – based on possible future earnings or cashflows.

Depending on the stage of the customer's business cycle, or the priority structure created by strategic planning, or even the economic cycle, customers may have many financial objectives that have to be satisfied through financial service providers. This priority structure of customers can be used to create a product or service-sales structure that matches the needs of the customer at various cycle stages. It also allows a company to learn more about its customers' preferences and buying behaviour, increasing the ability to satisfy the customers' needs more effectively (Kamakura *et al.*, 2003:46).

It is obvious that the combination of financial-need priorities by customers and the availabiliy of financial services at the different stages of the customers' business cycle have an influence on the different financial services required by the customer.
Figure 4.6 shows how customers moves from a business lifespan, starting from the base of the pyramid to its apex, and how that corresponds with a hierarchical mode of financial investment and funding satisfaction. The hierarchical structuring of financial objectives implies that there exists a sequential pattern, and therefore, a contingent asymmetric relationship between financial products and services. Customers are expected to satisfy their basic financial objectives of risk management, emergency cash reserves, foundation products, such as cheque accounts, overdraft facilities, as well as business loans.

Figure 4.6: The pyramid of financial independence



Adapted from: Kamakura, W.A., Ramaswami, S.N. & Srivastava, R.K. 1991. Applying latent-trait analysis in the evaluation of prospects for the cross-selling of financial services. *International journal of research in marketing,* 8:329-349.

This happens when a business starts and continues into the growth phase of the business. If customers want to function successfully as part of the economy, they have to be financially literate (Leopold, 2009:10). Such levels of financial literacy form part of the financial learning curve in the early business cycle. They also create opportunities for banks to cross-sell their other products. In the base of the pyramid, business requires products or services to assist customers in their growth phase.

Examples of growth products are cash-managed accounts and structural finances. The last level is that of risk and tax protection – leading to possibilities in tax structures, property and shares.

4.7 SUMMARY

The practice of cross-selling is of great importance in the financial service industry, because of the additional income that can be generated, the low input costs, as well as the fact that cross-selling increases customers' exit barriers. In this chapter cross-selling was defined, the role of cross-selling in expansion strategies was discussed; and the different techniques used to cross-sell by a banker were highlighted. The process of constructing a cross-selling structure was explained, as well as the acquisition of financial services through cross-selling. Satisfaction, and the role it plays within cross-selling, is important to this study; therefore, satisfaction and the behaviour-driven approach to cross-selling were presented, followed by the relationship between customer satisfaction, cross-selling and profitability.

Reference was made to customer-lifetime value and profitability, and the chapter concluded with a detailed discussion explaining the drivers of customers' cross-buying intentions. In the following chapter the research design and process will be outlined and discussed.

CHAPTER 5

RESEARCH DESIGN AND PROCESS

5.1 INTRODUCTION

Marketing research is the application of the scientific method in searching for the truth about marketing phenomena (Zickmund & Babin, 2012:6). McDaniel and Gates (2006:5) state that "marketing research is the function that links the consumer, the customer and the public to the marketer through information; [and this] information is used to identify and define marketing opportunities and problems; to generate, refine and evaluate marketing actions; to monitor marketing performance, and to improve one's understanding of marketing as a process".

Marketing research, therefore, specifies the information needed to address the issues at hand. It designs a method for the collection of information; it manages and implements the data-collection processes; it analyses the results; and lastly, it communicates the findings – as well as their implications. Marketing research has two roles in the larger marketing scheme. Firstly, it forms part of the marketing intelligence-feedback process, because it provides decision-makers with data on the effectiveness of their current marketing mix, as well as insights into the changes needed.

Secondly, marketing research is the primary tool for exploring new opportunities in the marketplace (McDaniel & Gates, 2010:5).

The aim of this chapter is to describe the research process and methodology used in this study. Research methodology provides people with the knowledge and skills needed to solve problems and meet the challenges of fast-paced decision-making environments (Cooper & Schindler, 2003:6). In this study, the researcher has made use of multiple secondary sources to test – through a process of data-mining – the formulated hypotheses. The databases used in the study contained customer-

contact data from the bank in scope, as well as the data on customer satisfaction, collected by a research company for the relevant bank.

Figure 5.1 provides a summary of the research process followed in this study; and it should serve as a frame-of-reference and structure for the outline of Chapter 5.

Figure 5.1: The research process

Step	Description
Step 1	Identify the problem and determine the research objectives (Section 5.2)
Step 2	The literature review (Section 5.3)
Step 3	Formulate the hypotheses (Section 5.4)
Step 4	The research design (Section 5.5)
Step 5	The data acquisition (Section 5.6)
Step 6	The data description and the quality assessment (Section 5.7)
Step 7	The database specification (Section 5.8) • Data integration • Data auditing
Step 8	The data analysis and reporting (Section 5.9)

Source: Adapted from Cant, Gerber-Nel, Nel and Kotze (2003:36); Houston (2004:157); Welman, Kruger and Mitchell (2005:45); Luo and Bhattacharya (2006:3) and Malhorta and Peterson (2009:35).

In this chapter, Step 1 of the research process will serve as a refresher on the research problem and objectives, which have already been discussed in detail in Chapter 1. Step 2 of the research process entails a summary of the literature review, which was conducted and presented in Chapters 2, 3 and 4. Steps 3 to 7 of the research process will be discussed in this chapter; and this is the main focus of Chapter 5. The final step in the research process, Step 8, will be presented in Chapter 6.

5.2 STEP 1: IDENTIFYING THE PROBLEM AND DETERMINING THE RESEARCH OBJECTIVES

The worldwide financial crisis of the past few years has had a severe influence on financial institutions; and it has also impacted on the financial sector in South Africa. Financial institutions, including banks, were mainly impacted due to the bad debts, which also led to a significant reduction in the banks' income (Naude, 2009:5). As a result, it became evident that banks would have to review their customer-service strategies, in order to maximise their profits, while keeping their customers satisfied.

Furthermore, banks would also have to increase the income earned from existing customers by cross-selling more products or services to these customers. As mentioned in Chapter 4, cross-selling is the practice of promoting additional products and services to existing customers – in addition to the ones a customer has currently been using (Butera, 2000:14). Increased cross-selling has many advantages for financial institutions, including banks. One advantage is that cross-selling to existing customers can reduce the spending on attracting new customers. Another advantage is that cross-selling locks the customer to the bank by reducing switching behaviour; and in so doing, it limits income losses to the bank.

In order to increase the income earned through cross-selling, banks need to retain their existing customer base. In most South African business banks, a CRM process is followed, where customers are linked to a dedicated relationship manager or banker. CRM plays a significant role in customer acquisition, and the maintenance of a profitable business relationship. In essence, CRM aims to increase the profitability of the customer portfolio. A successful CRM process should lead to satisfied customers, who, in turn, would buy more products, and recommend the bank to other prospective customers.

Previous research has investigated a number of aspects of CRM. These have included buying behaviour, satisfaction and cross-selling. However, none of these studies provided any clear indication of the role of CRM in satisfaction and cross-

selling in the South African business banking sector. Consequently, this study will attempt to determine the role of different CRM processes in satisfying customers and cross-selling in business banking; and it will be conducted by using the business-customer database of one of the banks in South Africa.

Classification of the small, medium and large segment business customers is based on the annual group turnover of the customer. The value proposition of the CRM process used to serve customers within these classifications differs regarding the number of staff allocated, the systems used, and the skill levels of the staff members needed to serve customers.

Following a research problem, research objectives need to be formulated, as they indicate what the research wants to achieve. Objectives are aimed at generating information about, insight into, or understanding of the nature of the study (Kent, 2007:17). The CRM process used by banks is labour-intensive and costly (Payne, 2012:293). As a result, a need exists to identify the satisfaction levels and cross-selling ratios of those customers who are serviced through the different levels of CRM, in order to determine the efficiencies of these CRM processes. During the course of this study, the actual number of products used by customers (product usage), as extracted from the database of the bank in scope, was used as a proxy for the cross-selling ratios.

By examining the national customer data of the bank in scope, the study aims to answer the following research objectives:

- To determine whether the segments serviced through different CRM processes experience different levels of satisfaction;
- To investigate whether there is a significant difference between small, medium and large business segments with reference to their satisfaction and cross-selling;
- To discover whether customers exposed to CRM over longer periods of time have higher levels of satisfaction;

- To assess whether segments serviced through higher levels of CRM result in higher levels of cross-selling;
- To determine whether customers exposed to CRM over longer periods of time result in higher levels of cross-selling;
- To investigate whether customers with high levels of cross-selling have a greater likelihood to recommend their bank;
- To determine whether a greater likelihood to recommend within segments shows higher levels of cross-selling;
- To assess whether the segments differ regarding their likelihood to recommend their bank to others; and
- To investigate whether customers with a longer bank relationship have a greater likelihood to recommend the bank.

The next step in the process is a literature overview – in order to provide the theoretical background to the research project.

5.3 STEP 2: THE LITERATURE OVERVIEW

Step 2 of the research process entails an overview of the literature. The aim of the literature overview is to provide a theoretical background to the study, including an exploration of the findings reported by other researchers on related topics. The literature review was presented in Chapters 2 to 4 of this study. The following step will be to identify the hypotheses that resulted from the literature review and research objectives.

5.4 STEP 3: TO FORMULATE THE HYPOTHESES

Hypothesis testing examines whether a particular statement concerning the problem is likely or not. In the process of testing the significance and setting of the hypotheses, the first step would be stating a claim – in support of which one has to find evidence. This is referred to as the null hypothesis, and is abbreviated as H_0

(Proctor, 2005: 287). A hypothesis test intends to determine the strength of the evidence against the null hypothesis that has been set. An alternative hypothesis to the null hypothesis is also set, and is abbreviated by, for example, H_1. This is a hypothesis, which is suspected to be true rather than the null hypothesis.

An alternative hypothesis, which in addition to the existence of a difference also indicates the direction of the expected difference, is known as a directional hypothesis. A directional hypothesis is sometimes referred to as a one-tailed hypothesis. A hypothesis that only postulates a difference without any prior expectations is known as a non-directional hypothesis or a two-tailed hypothesis. (Cooper & Schindler, 2008:471). Both one-tailed and two-tailed hypotheses are used in this study. The alternative hypotheses that resulted from the literature review and the research objectives will be discussed below.

5.4.1 Hypothesis 1

The small, medium and large business banking segments operate on different CRM levels. These processes differ as regards their staff complement, their operational procedures, as well as the technology used to service the customer. As the segment increases from small to medium, and then medium to large, the investment from the bank into the CRM process similarly grows. The intention of the afore-mentioned differences in investment is higher cross-selling and greater returns on investment.

The findings from a study by Zhang, Long and Chow (2009:72) showed that the perception of service inadequacy leads to customer dissatisfaction. Customers are not equally valuable; and therefore, maximum profitability can only be achieved when the available resources are invested in customer relationships that provide the desired levels of return (Zablah, Bellengher & Johnston, 2004:477). CRM applies decisions regarding the activities of a company with respect to a specific group of customers, or to an individual customer – with whom they engage in a collaborative relationship, resulting in subsequent customer satisfaction (Parvatiyar & Sheth, 2001:11).

Companies develop CRM strategies for specific customers – especially when the customers become more valuable, and the customer groupings become smaller (Reinartz & Kumar, 2000:20). It is therefore hypothesised that:

$H_{0:}$ There is no significant difference between small, medium and large business segments and their levels of satisfaction.

$H_{1:}$ There is a significant difference between small, medium and large business segments and their levels of satisfaction.

Hypothesis 1 is a hypothesis relating to the satisfaction levels of the different segments of small, medium and large business; and it can be classified as a non-directional hypothesis.

5.4.2 Hypothesis 2

According to Bolton and Lemon(1999:176), customers who demonstrate high levels of cumulative satisfaction would have higher usage levels, and would show consistency in subsequent time periods. Findings from a study by Mittal and Kamakura (2001:140) reported that satisfaction has a positive effect on cross-buying. The afore-mentioned has also been confirmed by Olivier, Romm and Sudweeks (2008:218). It is therefore hypothesised that:

$H_{0:}$ There is no significant difference between the satisfaction levels of small, medium and large business segments and their cross-selling ratios.

$H_{2:}$ There is a significant difference between the satisfaction levels of small, medium and large business segments and their cross-selling ratios.

Hypothesis 2 is a hypothesis concerning satisfaction and product or service usage by the different segments of customers; and it can be classified as a non-directional hypothesis.

5.4.3 Hypothesis 3

CRM is a strategically-oriented process concerned with producing the ideal mix of customer relationships (Zablah *et al.,* 2004:481). CRM uses marketing principles to build long-term relationships with customers and to keep them satisfied (Stevens, Loudon, Cole & Wrenn:2006:29). Customers that have higher levels of satisfaction with their service providers have longer relationships with these companies; and customers with longer exposure to companies who sustain satisfaction levels have stronger relationships (Walker, 2010:31). It is therefore hypothesised that:

$H_{0:}$ There is no association between the length of customers' relationship with the bank and their level of satisfaction.

$H_{3a:}$ There is an association between the length of customers' relationship with the bank and their level of satisfaction.

$H_{0:}$ There is no significant difference between segments in terms of the length of their bank relationship and their satisfaction levels.

$H_{3b:}$ There is a significant difference between small, medium and large segments in terms of the length of their bank relationship and their satisfaction levels.

Hypotheses 3_a and 3_b are hypotheses relating to the length of their relationships and the satisfaction of the customers. Hypothesis 3_a measures associations, and could be classified as a directional hypothesis; while Hypothesis 3_b is considered a non-directional hypothesis that measures differences.

5.4.4 Hypothesis 4

By getting to know customers better, it becomes easier to know which ones require or justify higher levels of management activity (CRM levels), in order to improve cross-selling or up-selling (Woodstock *et al*., 2003:16). Customers who fit specific segment profiles should buy more products across the spectrum of products (Reinartz *et al*., 2008:16). Category similarity (segment) and complexity affect a

customer's cross-buying evaluation process (Liu & Wu, 2008:494). It is, therefore, hypothesised that:

$H_{0:}$ There is no significant difference between small, medium and large business segments and their cross-selling ratios.

$H_{4:}$ There is a significant difference between small, medium and large business segments and their cross-selling ratios.

Hypothesis 4 is a hypothesis concerning the product or service usage of small, medium and large businesses; and it can be classified as a directional hypothesis.

5.4.5 Hypothesis 5

Reinhartz, Thomas and Bascoul (2008:6) state that cross-selling is an antecedent of loyalty, and is associated with the length of a relationship. Verhoef *et al.* (2002:214) reported that the impact for satisfaction and commitment on cross-selling is stronger for longer relationships. Exceptional service delivery leads to satisfied customers, who, in turn, become loyal customers and buy more products (Heskett *et al*., 2008:120). Existing customer are encouraged to remain longer, using more products and increasing the company's wallet share (Garland, 2003:261). The question arises whether there is any association between the length of a customer's bank relationship and the cross-selling ratio of the customer. It is, therefore, hypothesised that:

$H_{0:}$ There is no association between the length of a relationship and cross-selling ratios.

$H_{5:}$ There is an association between the length of a relationship and cross-selling ratios.

Hypothesis 5 is a hypothesis concerning the length of a relationship over a period of time; and it can, therefore, be classified as a non-directional hypothesis.

5.4.6 Hypothesis 6

The findings from a study by Liu and Wu (2008:498) determined that customers must have confidence in their service providers. Customers seem to support their financial institutions, to buy more products, and to promote the financial institution based on their satisfaction (Reinhartz, Thomas & Bascoul, 2008:7). Customers who are net "Promoters" are likely to buy more products (Brooks & Owen, 2008:334). From the abovementioned scenario, it is hypothesised that:

$H_{0:}$ There is no significant difference between customers with high cross-selling ratios and customers with low cross-selling ratios in terms of their likelihood to recommend their bank.

$H_{6a:}$ Customers with high cross-selling ratios are more likely to recommend their bank than customers with low cross-selling ratios.

$H_{0:}$ There is no significant difference in the cross-selling ratios between the small, medium and large business segments' likelihood to recommend their bank.

$H_{6b:}$ There is a significant difference in the cross-selling ratios between the small, medium and large business segments' likelihood to recommend their bank.

$H_{0:}$ There is no significant difference between small, medium and large business segments and their likelihood to recommend their bank.

$H_{6c:}$ There is a significant difference between small, medium and large business segments and their likelihood to recommend their bank.

Hypotheses 6_a and 6_b are hypotheses concerning product or service usage, as well as respondents' likelihood to recommend their bank. Hypothesis 6_c is a hypothesis regarding segment and the likelihood to recommend. Hypothesis 6_a can be classified as a directional hypothesis, while Hypotheses 6_b and 6_c are considered to be non-directional hypotheses.

5.4.7 Hypothesis 7

Customer service provided over a period of time influences customers, leading to customer satisfaction and increased sales; and therefore, satisfied customers are more likely to recommend their company to friends and colleagues (Verhoef, 2003:33; Mohano Rao, 2011:419). Customers' likelihood to recommend a company's brand or product is a leading indicator of future customer choices, based on past experience (Keiningham, Cooil, Andreassen & Aksoy, 2007:39).

Satisfied customers remain loyal; they remain longer with their provider; and they play a role in new customer attraction (Weinstein, 2002:263). From the above, it is hypothesised that:

$H_{0:}$ There is no association between the length of a customer's relationship with the bank and the likelihood to recommend the bank.

$H_{7:}$ There is an association between the length of a customer's relationship with the bank and the likelihood to recommend the bank.

Hypothesis 7 is a hypothesis concerning customers' length of relationship with their bank and their likelihood to recommend the bank; and it can be classified as a non-directional hypothesis.

The next step in the research process is that of the research design; and this will be discussed in Section 5.5.

5.5 STEP 4: THE RESEARCH DESIGN

The research design outlines the structure of the study – in such a way as to find answers to the research objectives at hand. A research design is a blueprint, plan or framework for conducting research for a project that has not yet begun. It is used to refer the processes and tasks involved in planning, and in executing a research project (Kent, 2007:251). This study used a formal research design that was used to test the hypotheses stated in Sections 5.4. The research design mainly involved the

collection of secondary data – followed by a process of data-mining. Nisbet, Elder and Miner (2009:17) define data mining as “the non-trivial extraction of implicit, previously unknown, and potentially useful information from the data”. Data-mining deals with the secondary data collected for purposes other than data-mining itself, which translates as: The data-collection strategy (of the dataset) does not have to have the same objectives as those of the data-mining process.

The researcher obtained approval to use and access to two databases: one from a well-known research company, which conducts research for the bank in scope; and another from the identified bank’s data warehouse. Feelders, Daniels and Holsheimer (2000:273) specify six steps in the data-mining process: Problem definition, the acquisition of background knowledge, the selection of data, the pre-processing of the data, and the analysis and interpretation – as well as the reporting and use. These steps are incorporated into the data-mining process followed in this study. It is posited that data mining can be applied during the CRM process, in order to increase the cross-selling of customers, or to influence retention levels (Nisbet, Elder & Miner, 2009:26).

The researcher made use of exploratory-data analysis through a process of descriptive modelling, in order to describe the relationship between the variables. The preliminary selection of attributes extracted for this study included a selection of available attributes that were considered important in the literature and in previous studies.

The research design for this study has a descriptive focus, as the purpose was to determine the customers’ satisfaction levels – taking into account their respective CRM levels, as well as the influence the different CRM levels may have had on cross-selling. The objective of the descriptive research is to describe a problem or opportunity by providing a broad overview of the population (Mouton, 2005:152). Descriptive research has, as its major objective, the description of something; it also has the goals of developing a profile of the target market, estimating the frequency of product usage, determining the relationship between product usage and perception,

as well as determining the degree of association of the marketing variables (Malhorta & Peterson, 2006:76).

According to Johnson and Christensen (2012:366), this type of research is based on clear problem statements, specific hypotheses, specification of the information needed; and it is helpful to provide an accurate description of the characteristics of a situation or phenomenon. Descriptive research explains the variables that exist in a given situation, as well as the variables that exist among these relationships.

Step 5 of the research process focuses on the analyses of the available databases, and is addressed in the following section.

5.6 STEP 5: THE DATA ACQUISITION

When data are collected for someone else, or for another purpose, they are considered to be secondary data (Boslaugh, 2007:1). In his social commentary website, Crossman (2007) states that by using secondary data, the researcher poses questions that are adressed through the analysis of a dataset, without being involved in the data-collection process. CRM can be assisted by using data mining, as it could predict future spending patterns, discover trends or assist sales staff to have more dynamic interactions with their customers (Chye & Gerry, 2002:24).

Using secondary data has both advantages and disadvantages (Boslaugh, 2007:3). The first advantage of using secondary data relates to economic reasons. When companies collect data, it saves the researcher resources in terms of time and money to collect these data. Another advantage of using secondary data pertains to the breadth of the data available. A third advantage of secondary data is that the data are often collected through a process that includes expertise, and/or contains valuable in-house data.

The use of secondary data also has certain disadvantages. The first disadvantage pertains to the nature of the data. As the researcher did not collect the data, some of the information needed to answer specific research objectives may not have been collected, and is thus not available for analysis. Another disadvantage is that the variables may have been defined differently – compared with those of the study at hand. A third disadvantage of using secondary data is that the data may have been collected (for example, contact details or behavioural data), but are not available for the researcher to include in the analysis.

Since this study revolves around CRM, satisfaction and cross-selling in business banking, relevant secondary databases were sourced. The researcher considered the available databases of the bank in scope. This led to the identification of two applicable databases that included the main constructs of this study, and were thus deemed appropriate to consider for use in this study. Some of the main reasons why these two databases were considered are briefly discussed below.

Firstly, the identified databases contained data that were collected by reliable and trustworthy sources. Both databases had the same origin, namely the bank in scope. For the first database, the bank in scope annually contracts a reputable research company to conduct research on the satisfaction experienced by their business-bank customers, based on their exposure to three different CRM processes, as applied in small, medium and large business segments.

The second database was available from the bank in scope's warehouse and contained customer and transactional data. Secondly, both databases contained national data over a three-year period, which enlarged the breadth of the study. Thirdly, as mentioned before, the identified databases contained data on the main constructs identified for this study. Both databases distinguished between the different business segments (according to the different CRM levels) - thereby making it possible to address the objectives of the study.

Furthermore, the database compiled by the research company on behalf of the bank in scope, contained the required customer-satisfaction data for the study. In addition, to this, the bank in scope's warehouse database contained cross-selling (product usage) data, which are also included in the hypotheses. Fourthly, each database contained the unique bank codes for each customer, enabling the researcher to combine the two databases into a final dataset for the purpose of the study.

Fifthly, the researcher obtained permission to use both the databases. The bank in scope gave permission to use the databases and provided access to the warehouse database to do an extraction from the main database; whereafter, the research company gave permission to access their database containing customer-satisfaction data of the bank in scope's customers. Finally, economic reasons also played a part in the decision to consider these two databases, as the researcher had access to large volumes of data at a relatively low cost.

5.7 STEP 6: DATA DESCRIPTION AND QUALITY ASSESSMENT

Once the databases had been considered appropriate for this study, it was important to evaluate these databases in terms of the data quality. Since the database from the bank in scope's warehouse contained dynamic (real) customer and transactional data from all the bank's customers, it was not necessary to evaluate these data in terms of the data quality. However, the database compiled by the independent research company for the bank in scope, needed to be evaluated in terms of the data quality, including the methodological approaches used. Sections 5.7.1 to 5.7.4 will discuss details relevant to the research methodology (sampling, measurement instrument, data collection and processing) followed by the research company in compiling their database. The discussion on the evaluation of the quality of the research company's database is necessary before a final decision could be made on whether to include this database in the final dataset for use in this study. Section 5.7.5 will adress the data collected from the data warehouse of the bank in scope.

5.7.1 Sample population and sample frame of the research company's database

Sampling involves the identification of a group of individuals, households or business entities that can be reached by mail, telephone or in person, and who possess the information relevant to solving the marketing problem at hand (Schmidt & Hollesen, 2006:159). A sample is a subset of measures selected from the population of interest; and it is often chosen above a census – due to time and cost constraints (Mendenhall, Beaver & Beaver, 2009:8).

The process of developing a sample plan mainly consists of three steps: identifying the population; identifying the sample frame; and selecting the sampling method (Polit & Beck, 2009:325). These steps are briefly applied to the process followed to compile the database of the research company; and as mentioned earlier, they serve as a quality check on the research methodology followed by the company.

A population can be described as the entire compilation of elements from which the researcher aspires to draw (Cooper & Schindler, 2003:179). A population is the collection of respondent numbers from which a sample has been drawn (Howell, 2010:8). As all business-bank customers from all the banks in South Africa could not be used as a sample population, due to the difficulty in obtaining permission from all registered commercial banks, the population for this study was defined as all business-bank customers for the bank in scope. After determining the sample population of the research study, a sample frame containing the identified members of the population at hand must be obtained (Burns, 2008:196; Aaker, Kumar & Day, 2000:367).

A sample frame may be a register of industries, a telephone directory or a map, and should include the following requirements:

- It must represent all the elements of the population;
- There must be no duplication of the elements; and
- It must be free from foreign elements.

The research company received a detailed customer list of the business-bank customers (from this particular segment) of the bank in scope. This sample frame contained all the business customers of the bank in scope (including small, medium and large business segment customers on a national level). The number of customers in the sample frame, as used by the research company's study is set out in Table 5.1. When conducting sampling, there are two approaches that can be followed: probability and non-probability sampling. Probability sampling is based on the premise that each member of the population has an equal opportunity to be selected.

When using non-probability sampling, there is no guarantee that each member of the population has an equal opportunity of being selected (McDaniel & Gates, 2010:332). The purpose of this discussion on sampling is to reflect on the sampling methods used by the research company during the research process. The data were collected by using a probability-sampling approach, and more specifically a process of stratified-random sampling – based on the population specifications.

Table 5.1: Total sample frame from 2009 to 2011

Segment	2009	2010	2011	Average over period
Small Business	381 827	390 062	373 806	381 898
Medium Business	25 980	25 948	25 630	25 853
Large Business	4 333	4 355	4 358	4 349
Total	412 140	420 365	403 794	412 100

As reflected in Table 5.1, the sample population is set out per segment indicating the total population for the specific year.

When conducting research on this basis, populations can be segregated into several mutually exclusive sub-populations or strata. Stratified-random sampling is suitable for sampling large consumer populations, as it entails dividing the population into mutually exclusive groups, and drawing random samples for each group (Proctor, 2005:115). There are three reasons why researchers would choose a random-stratified-sampling method (Cooper & Schindler, 2008:390):

- To increase the sample's statistical efficiency;
- To provide adequate data for analysing the various sub-populations within the study; and
- To enable different research methods and procedures to be used in different strata.

With stratification, the ideal is that each stratum is homogeneous internally, and heterogeneous as regards the other strata. Within stratified sampling there exists the option of proportionate or disproportionate sampling. In proportionate-stratified sampling, each stratum is represented – so that the sample size drawn from the sampling is proportionate to the stratum's share of the population. Any stratification that departs from the proportionate relationship is thus disproportionate (Cooper & Schindler, 2008:391). In this study, the population was divided into three mutually exclusive groups (strata), namely: small, medium and large business-segment customers.

The size of the sample affects the quality of the research data, and should reflect the basic characteristics of the population; the larger the sample size, the greater its precision or reliability (Proctor, 2005:127). It must, however, be stated that the relationship between sample size and accuracy is not linear. For example, doubling the size of the sample would not necessarily halve the sample error. In fact, the sampling error diminishes in accordance with the square root of the growth in sample size (Schmidt & Hollensen, 2006:169).

Tustin, Ligthelm, Martins, and Van Wyk (2005:361) indicate that statistical calculation of sample sizes can be done for probability sampling methods.

When calculating the sample size of a population, there are two factors that need to be considered. The first is the confidence interval. The confidence interval, also called the margin of error, is the plus-or-minus figure usually reported in opinion poll results. The second factor to consider is the confidence. This is the level which indicates how sure a researcher can be that the measurement is precise, and that it represents the range across two standard deviations. It is expressed as a percentage (Proctor, 2005:128).

The research company selected a confidence interval of 2 and a confidence level of 95% when they calculated their sample size. The drawn sample size on the research company's database totalled 29 153.

In the next sub-section, the method followed by the research company to collect the data from the bank in scope's business-segment customers will be discussed.

5.7.2 The data-collection method used by the research company

The data collection refers to the way the data are captured in a field setting. According to Flick (2009:24), the primary data are obtained through qualitative or quantitative methods. When conducting qualitative research, in-depth detailed information is gathered through processes, such as in-depth interviews, projective techniques and focus groups (Welman, Kruger & Mitchell, 2005:188). When conducting quantitative research, the focus is on gathering large volumes of information through surveys, including: mail surveys, telephone surveys, as well as personal interviews. Qualitative research methods are considered more unstructured, flexible and diagnostic than quantitative methods; and they aim to retrieve information from the respondents in a more indirect manner (Daymon & Holloway, 2010:224). Quantitative methods are considered to be more structured and they gather information in a more direct and open manner from the relevant respondents. Quantitative methods of research are often used in exploratory research; and the results are appropriated for hypothesis generation (Du Plessis & Rossouw, 2005:28). The primary advantage of quantitative methods of research,

compared to qualitative research, is that vast amounts of data can be gathered about an individual respondent at any one point in time. This method of research can thus be applied to any setting; and it can also be adopted for most research objectives (McNiel, 2005:65).

The research company used a quantitative method to gather the data, namely: telephone interviews. The research conducted and captured in the database used as the basis for this study was executed between February 2009 and December 2011. This is a cross-sectional study over a three-year period – involving specific business segments in business banking. Although the same segments were sampled and measured over the three-year period, it was not necessarily the same respondents that were included over each of the three years.

The interviews were conducted by the research company through a process of computer-assisted telephone interviewing (CATI). CATI uses a computerised questionnaire administered to respondents by using the telephone. Interviewers typically sit in front of a computer screen and wear a headset. The computer replaces a paper and pencil questionnaire and the headset substitutes a telephone (Malhorta & Peterson, 2009:216). Upon command, the computer dials the respondent's telephone number and when contact is made, the interviewer reads the questions posed on the computer screen. The respondent's answers are directly captured into the computer's memory bank.

The responses are directly entered into a computer; interim and updated reports can be compiled instantaneously, as the data are being collected (Zickmund & Babin, 2009:166). CATI software also has built-in logic, as well as data tests that enhance the accuracy of the process. All telephone interviews are recorded electronically, and listened-in on by a team of full-time quality controllers. Each agent participating in the interviewing process is continuously evaluated on the accuracy of their work, their professional conduct, and their adherence to the requirements of the research objectives.

There are advantages and disadvantages to telephone interviewing (Garson, 2007:407). Some of the advantages of telephone interviewing include:

- Interviews can be conducted relatively quickly due to low travelling time;
- Sample control is good, as call-backs can be implemented; and
- The response rate to the calls made is good.

The disadvantages of telephone interviews are as follows:

- All questioning is restricted to the spoken word;
- The interviewers cannot use physical stimuli, such as illustrations or product demonstrations; and
- An interviewer cannot ask complex questions, as they would be difficult to explain or answer.

As part of the evaluation of the quality of the data, the data-collection process used by the research company will be discussed below.

As mentioned, the research conducted by the research company was done by contacting customers telephonically through a CATI system. The research company employs an 80-agent communication centre equipped to conduct more than 300 000 telephonic interviews per year. All telephonic interviews are recorded and evaluated by quality controllers. Agents participating in the interviewing process are continuously evaluated in terms of their accuracy, conduct and adherence to the requirements of the research objectives.

The research company's project managers ensure that all surveys are piloted and systems are checked. The data population in the database is verified, and is signed-off by the project manager – as part of the quality assurance process.

The project managers for the project are assisted by research assistants. As a team, they work closely together to obtain the data from the server on a daily basis, and to check sample completion with a tracking and prediction of sample-completion calculation, which is generated by their own customised CATI system. Regular de-

briefing sessions are held with the call centre agents, who work on the survey to determine any problems in understanding and interpreting the questions asked in the survey, or any other issues raised by the agents. Feedback of these sessions is provided to their customers (in this case the bank in scope) during the project.

The call centre agents are hand-selected to work on the different surveys. They are also encouraged to work on as many surveys as possible within a specified time period, in order to gain as much experience as possible. The agents are selected, based on the best profile of the agent (language efficiency, performance history, type of respondent being interviewed) that matches the survey. Furthermore, the quality control process entails:

- All the questionnaires are signed-off by the management of the research company;
- The research company provides list-cleaning statistics for all the data used;
- The questionnaire loaded on the CATI system is double-checked against the signed-off questionnaire;
- Test interviews are done on the loaded questionnaire and again checked against the signed-off questionnaire;
- Training of the full-time call centre agents is done by the research company's customer director of the project; and
- All the interviews are recorded for quality purposes.

As mentioned, the research for the bank in scope was conducted by the research company over a three-year period commencing in 2009 and ending in 2011. The overall response rates recorded in the studies by the research company were 79%, and the details of the response obtained are set out in Table 5.2.

Table 5.2: Response rate per segment

Business Bank Segment	PLANNED SAMPLE	REALISED SAMPLE	RESPONSE RATE
Small business customers	21 329	17 063	79%
Medium business customers	6 038	4 830	79%
Large business customers	1 786	1 429	80%
TOTAL RESPONSES	29 153	23 322	79%

The data-collection instrument used to collect the data for the telephone questionnaire will be discussed in Section 5.7.3.

5.7.3 Design of the data-collection instrument as used by the research company

A questionnaire is a formalised set of questions for obtaining information from respondents with the overriding objective to translate the researcher's information needs into a set of specific questions that the respondents are able and willing to answer (Grover & Vriens, 2006:83). A questionnaire standardises the wording and provides uniformity in the data-gathering process. By standardising the wording and sequence of questions, it is insured that every respondent sees and hears the same words, and that every interviewer asks the same questions.

A questionnaire is mainly designed to (Webb, 2002:89):

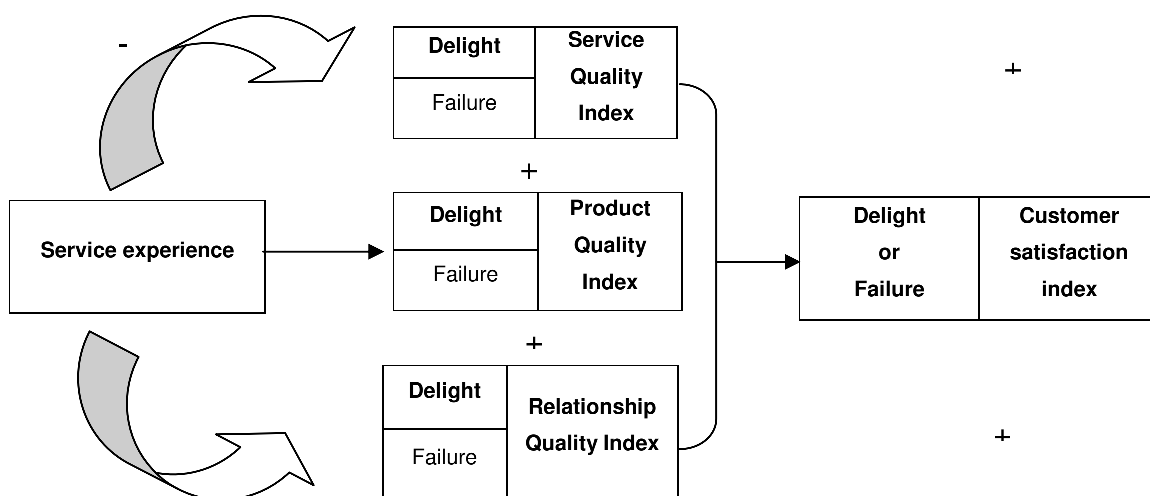
- Maximise the accuracy and the relevance of the information obtained;
- Maximise the participation of the relevant elements in the sample;
- Facilitate the gathering of information; and
- Meet the research objectives.

Bearing the above-mentioned issues in mind, the questionnaire used for the bank in scope's customer satisfaction study was developed by the research company. Upon inspection, it was clear that the questionnaire had a strong theoretical base, and was developed with the contribution of several academic research approaches in mind.

Firstly, the measurement instrument used by the research company fits within the existing scientific measures, such as SERVQUAL. The continuous development of the research company's customer-experience questionnaire resulted in a structural model of customer satisfaction that incorporates the important antecedents (drivers) of satisfaction that would identify the underlying service or product deficiencies (or strengths) that would otherwise not be identified. As previously stated in Section 3.4.3, the measurement model of the research company is largely based on the American Customer Satisfaction Index (Fornell, Johnson, Anderson, Cha & Bryant, 1996). ACSI measures the customer's experience through the combination of the three quality indexes (service quality, product quality and relationship quality), which relates to a satisfaction index, indicating the customer's satisfaction level.

The structure of the measurement used by the research company is set out in Figure 5.2. As mentioned, the customer-service experience is measured on three levels: that of service quality; product quality; and relationship quality. The customer's experience is then calculated through the combination of the three quality indices, which relate to a satisfaction index, indicating the customer's satisfaction level.

Figure 5.2: Customer satisfaction as a cause-flow model



Adapted from working document received from the research company.

5.7.3.1 Questionnaire layout and question types

The questionnaires should be easy to use and should encourage the respondents to either answer questions posed by an interviewer or to do this by self-completion (Proctor, 2005:204). By arranging the questions logically and observing other sequencing rules, the researcher enhances the standard of the interview, helps the interviewer, and induces a logical flow through the questions (Lamb, Hair, McDaniel, Boshoff and Terblanche, 2004:262). According to Schmidt and Hollensen (2006:151), there are two main types of questions that can be distinguished. The first type is open response or structured questions with unstructured responses, which allow the respondent to give his/her own answer in his/her own way.

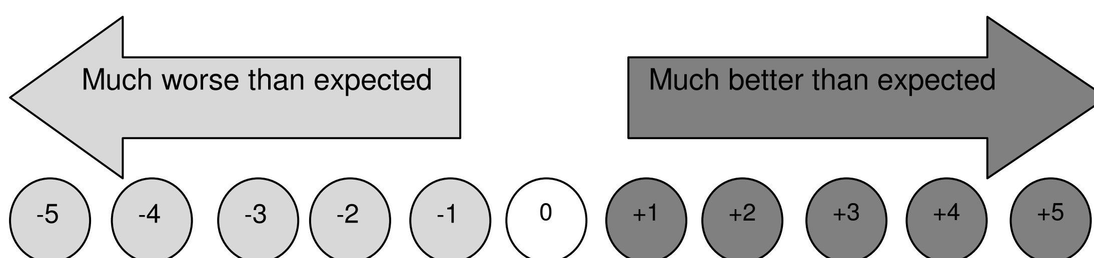
The second type of question comprises close-ended or structured questions with structured responses. Questions of this nature have various possible answers from which the respondent has to pick one or more. Because the customers had already been classified as small, medium or large business customers on the bank in scope's database, the respondents in the sample were classified per segment. No demographical information was captured besides the area of trade, the economic segment and sub-segment. A standard questionnaire was used for customers in all segments – consisting of a standard layout with four main sections (Sections A to D).

An example of the questionnaire is presented in Appendix A. Questions one, eight, eleven and fifteen were not used when interviewing small business customers. This is because the management team for small business units differs from that of the medium and large business units. As a result, small business management decided to exclude any irrelevant questions – for the purpose of the measurement.

Section A included a set of screening questions used to ensure that the respondent was truly part of the sample. The questions revolved around when last the customer was interviewed, whether s/he is a business bank customer, and whether there was a relationship manager responsible for the account. Section A made use of choice questions, consisting of "Yes or No" answers to questions, such as: "Have you been

interviewed in the last 4 weeks?" Sections B and C measured service, relationship and product attributes reflecting the customer-value proposition. The index scores for Sections B and C constitute the service, relationship and product-index scores. Section B also included 15 rating questions; and it used the -5 to +5 confirmation-disconfirmation scale, incorporating both perception and customer expectation in one. An example of this scale is illustrated in Figure 5.3.

Figure 5.3: Confirmation–disconfirmation scale



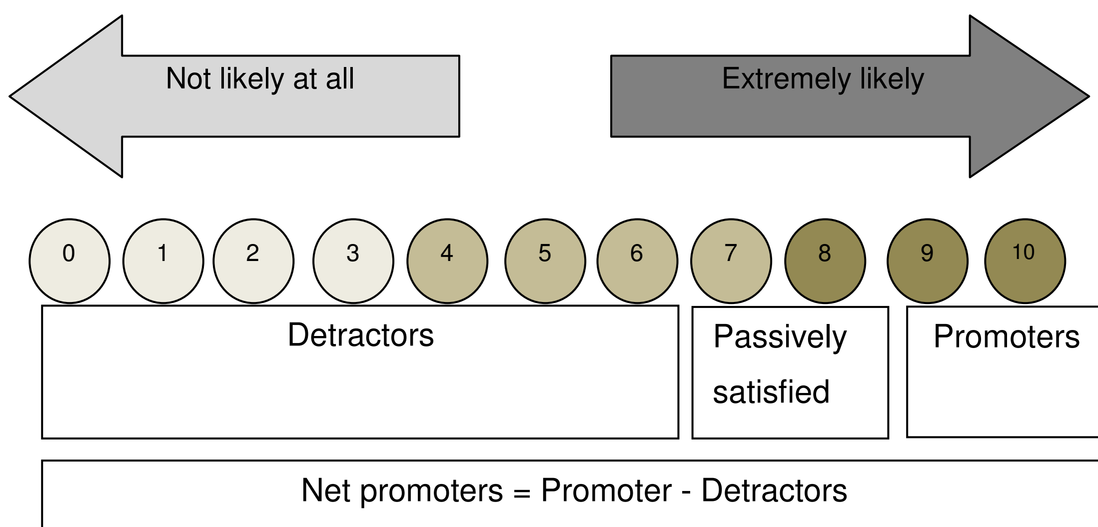
The 15 questions in Section B measured eight quality attributes relating to the following:

- Communicating with customers on a regular basis;
- Taking ownership of resolving any queries;
- Responding to business-banking needs efficiently;
- Having adequate knowledge and information to meet the business needs;
- Proactively preparing solutions that address business needs;
- Providing valued advice when a business faces critical decisions;
- Relationship managers being available when customers need them; and
- Being interested and engaged in meeting customers' business needs.

Sections C consisted of six questions using an 11-point Likert scale. Section C measured the overall satisfaction level experienced by the customer relating to the service experienced, value for money (including product) and satisfaction with the bank in scope and the relationship manager. The attributes or statements in this section, together with Section B, contributed to the product, service and relationship index scores. These index scores are relative to the customers' expectations.

The combination of these scores forms the customer-satisfaction index. In line with the policy of the bank in scope, an index score of 50 indicates that customer's expectations are being met. Any score higher than 50 indicate performance above the level of the customer's expectation; while a score below 50 indicates performance below what customers expect. The final section, Section D, measured the likelihood to recommend the relationship manager (also referred to as the net promoter score). The net promoter score is an internationally acclaimed and widely used indicator of loyalty and customer advocacy. It is reported that loyal customers have higher retention rates, commit more of their spending to the company and are more likely to recommend others to their product or service provider (Keiningham, Cooil, Aksoy, Andreassen & Weinder, 2007:362). It is calculated by the difference in the per cent of customers who would promote the brand and the per cent of those who would dissuade others from using the brand (Pigitore, Morgan, Rego, Gigliotty & Meyers, 2007:12). It is a peer-reviewed measurement that has been published in numerous reputable academic journals, and has been proven to be a strong indicator of the future growth of any business (Shelvin, 2011:88; Maglio, 2010:24). To determine the net promoter score, customers are asked to answer the following question: "How likely would you be to recommend this bank to friends, colleagues and associates?" This would be done on an 11-point likelihood scale. An example of this is set out in Figure 5.4.

Figure 5.4: The net promoter scale



5.7.4 The reliability and validity of the research company questionnaire

A measurement instrument has to adhere to the criteria of being both reliable and valid. Houston (2004:156) states that the ability of researchers to employ secondary data proxies (as used in this study) would be enhanced by thoroughly describing the reliability and validation efforts that were used when the data were collected. The research company has confirmed that their customer-satisfaction questionnaire has been in use for several years, and is considered both reliable and valid.

5.7.4.1 Reliability of the measurement instrument

Reliability measures the accuracy and precision of the measurement instrument and scale; and it is, therefore, considered an index that registers the extent to which the measured data are free from random error (Cooper & Schindler, 2008:292). Reliability refers to the ability of a scale to produce a consistent result if repeated measurements are taken (Saunders, 2007:267). Reliability also refers to the consistency or repeatability of a test or a measurement used (Burton & Mazerolle, 2011:28).

For the purpose of determining the reliability of this study, the Cronbach alpha testing was conducted on the customer-satisfaction scale, using a 0.70 cut-off point (Schmidt & Hollensen, 2006:128). Values ranged between 0 and 1, with higher values indicating higher reliability among indicators. The results for the reliability testing are set out in Table 5.3. The results indicate that the customer-satisfaction scale used was reliable, as the results show that the minimum required Alpha values of 0.70 were exceeded in all instances.

Table 5.3: Reliability of the research company's dataset

Segment	Cronbach Alpha value (reliability)		
	2009	2010	2011
Small Business	0.96	0.96	0.96
Medium Business	0.98	0.98	0.98
Large Business	0.98	0.98	0.98

The items were tested for their reliability by submitting them to item analysis using item-to-total correlations. Rules of thumb suggest that the item-to-total correlations should exceed 0.50 (Hair *et al.*, 2010:118). The item analysis revealed no item-to-total values below 0.50; and consequently, no items were deleted. The item-to-total values can be viewed in Appendix B.

5.7.4.2 Validity of the measurement instrument

Before accepting and using any measure, one must also ensure its validity. Validity refers to the accuracy of the measurement instrument and of the scale actually measuring what it is supposed to measure – and to the extent to which a particular measure is free from systematic and random errors (Malhorta & Peterson, 2009:316). There exist four common procedures for establishing the validity of an instrument, namely: face validity, content validity, criterion validity and construct validity (Burton & Mazerolle, 2011:28). Face and content validity are qualitative measures of measuring validity; and they are often employed in survey research, because it is the easiest to ascertain.

Criterion validity determines an instrument's selection over others in future selection. Face validity establishes an instrument's ease of use, its clarity, as well as

readability; while content validity establishes an instrument's credibility, accuracy and relevance (Cooper and Schindler, 2008:289). Construct validity evaluates an instrument's ability to evaluate the constructs that it is supposed to measure (Burton & Mazerolle, 2011:29). The researcher used exploratory factor analysis (EFA) to establish the construct validity of the instrument.

Factor analysis is an interdependence technique of which the prime purpose and objective is to define the underlying structure among the variables in the analysis testing for the validity of the scale (Hair, Black & Babin, 2006:294; Strasheim, 2011:38). Principal component analysis (PCA) was used in reducing the items selected for the instrument. PCA maximises all variance in the items, in order to determine the items that do not contribute to an understanding of the factor (Anderson & Tatham, 2006:105).

Factor analysis provides the ability to analyse the structure of the interrelationships or correlations among a large number of variables. Factor analysis is appropriate when a number of variables have been obtained, and there exists a need to identify the number and nature of the underlying factors that are responsible for the co-variation in the data (Hatcher, 2003:79). The number of factors that emerge from a set of items is a measure of whether or not these items reside in a single underlying dimension. Factor analysis can, therefore, indicate whether the underlying items provide a single factor (Cudeck & MacCallum, 2007:43).

The cut-off point for factor analysis is set at 0.60 (Bagozzi & Youjae, 2011:14). A single factor model with normal restrictions is applicable when it is not possible for two or more distinct sets of parameter estimates to produce the same population variance-covariance matrix (Bagozzi & Youjae, 2011:19). An *a priori* number of factors and items were determined, which served as a guide to the factor selection. The results of the factor analysis for validity testing are set out in Table 5.4.

As mentioned in Section 5.7.3.1, the management team of small business units excluded questions one, eight, eleven, thirteen and fifteen; therefore, no factor loadings are reflected for those questions in the small business segment. It may be

observed in Table 5.4 that the cut-off of 0.60 was met in all instances – indicating that the customer satisfaction scale is considered valid.

Table 5.4: Unrotated factor loadings for each segment in 2009, 2010 and 2011

Factor loadings: Small Business				Factor loadings: Medium Business				Factor loadings: Large Business			
Item	2009	2010	2011	Item	2009	2010	2011	Item	2009	2010	2011
Q1				Q1	-0.84	-0.83	-0.87	Q1	-0.85	-0.88	-0.85
Q2	-0.88	-0.87	-0.89	Q2	-0.91	-0.88	-0.92	Q2	-0.91	-0.90	-0.91
Q3	-0.81	-0.85	-0.86	Q3	-0.85	-0.85	-0.86	Q3	-0.86	-0.88	-0.87
Q4	-0.84	-0.87	-0.87	Q4	-0.92	-0.92	-0.94	Q4	-0.93	-0.92	-0.94
Q5	-0.79	-0.81	-0.84	Q5	-0.91	-0.90	-0.93	Q5	-0.93	-0.93	-0.93
Q6	-0.81	-0.82	-0.83	Q6	-0.90	-0.90	-0.92	Q6	-0.92	-0.92	-0.92
Q7	-0.85	-0.87	-0.88	Q7	-0.90	-0.89	-0.92	Q7	-0.91	-0.91	-0.92
Q8				Q8	-0.90	-0.89	-0.91	Q8	-0.88	-0.90	-0.90
Q9	-0.85	-0.87	-0.87	Q9	-0.84	-0.83	-0.87	Q9	-0.83	-0.88	-0.84
Q10	-0.83	-0.85	-0.85	Q10	-0.90	-0.89	-0.90	Q10	-0.91	-0.92	-0.88
Q11				Q11	-0.77	-0.80	-0.88	Q11	-0.77	-0.80	-0.87
Q12	-0.87	-0.87	-0.88	Q12	-0.82	-0.86	-0.92	Q12	-0.84	-0.89	-0.92
Q13				Q13	-0.88	-0.86	-0.92	Q13	-0.89	-0.91	-0.92
Q14	-0.80	-0.82	-0.83	Q14	-0.82	-0.83	-0.86	Q14	-0.84	-0.87	-0.86
Q15				Q15	-0.86	-0.86	-0.86	Q15	-0.87	-0.88	-0.88

Observing the data set out in Table 5.4, it may be concluded that the data met the set criteria and can be used for research purposes. This concludes the discussion on the dataset received from the research company. In Section 5.7.5 reference will be made to the dataset received from the bank in scope.

5.7.5 The data collected from the bank in scope's warehouse

Data warehouses consist of operational data, decision-supporting data, and data external to accompanying the business units, in order to offer reliable and detailed business intelligence to the sales force (Khan, Ehsan, Mirza & Sarwar, 2012:241). A

data warehouse is an electronic repository for databases that organise large volumes of data into categories, in order to facilitate their retrieval, interpretation and the sorting of the data by the users (Evans, Martin & Poatsy, 2011:517). Effective CRM collects data during customer interactions and then analyses it for future improvements in the CRM and other sales processes.

The data warehouse becomes a repository for customer information from many sources: including operational systems, call centres, demographic data, behavioural data, spending patterns and customer-provided data. With the above-mentioned in mind, the researcher received approval from the bank in scope to extract certain data from the warehouse, pertaining to the customers contained in the dataset of the research company. It was possible to extract the specific information due to the consistent usage of unique client codes by both the research company and the bank in scope.

The database from the research company was received in Excel format. This database was supplied to data specialists at the bank in scope's data warehouse, who provided the information required on behalf of the researcher using the unique client codes. The information requested from the bank in scope included geographic details, sector traded in, length of relationship, details of products used, as well as total cross-selling ratios of the customers. The data from the bank in scope's warehouse were not subjected to reliability and validity testing by the researcher.

This is mainly because the warehouse data were of a transactional nature (thus a direct export of customer data) and because such data are subjected to internal data integrity and verification procedures by the bank in scope. To manage the data more effectively, the specific products used by customers were coded as "1" if the product was used, and as "0", if no product was used. Related products, such as for example, term loans and business loans were categorised to make the data more manageable.

In Step 7 (Section 5.8), the database specification, including the integration process used to combine the two databases, will be addressed.

5.8 STEP 7: DATABASE SPECIFICATION

5.8.1 Data integration

The term "data mining" is the process of discovering knowledge and information from databases stored in data warehouses (Kumar, 2011:68). The purpose of data mining is to identify valid, novel, useful, and ultimately understandable patterns in data. A data warehouse provides accessible archives that support dynamic organisational intelligence, applications and research. For this study, data mining was conducted on the data received from two main sources. The first source was data received from the research company who conducted research for the bank in scope, and the second set of data was received from the bank in scope's warehouse. The two datasets were combined into one final data set that was used for this study. When the data are gathered from a data warehouse (in this case two warehouses), the data get denormalised, and have to be structured and combined in such a way that the data is useable (Nisbet *et al.*, 2009:22).

During this research process the data from both warehouses was put into Excel format. The unique client codes made it possible to combine the two databases matching the dataset from the research company with that extracted from the bank in scope to form the final dataset. The data elements were all organised into one record per customer, and all variables linked to the element were assigned. The next step was the audit of the data. The auditing of the dataset will be discussed in Section 5.8.2.

5.8.2 Data auditing

Data processing consists mainly of data preparation, which includes the editing, coding, capturing and cleaning of the data. In this section, the detail around the data processing activities, as applied by the research company, will be evaluated.

5.8.2.1 Editing of the data

Editing ensures that the questionnaire has been filled out properly; and it can be defined as the process of detecting errors in the statistical data (Dimitrakakis, Divvanis & Mitrokotsa, 2011:2). According to Shao (1999:76), editing consists of checking completed questionnaires or other data collection forms for omission, incomplete or otherwise unusable responses, illegibility and any obvious inconsistencies. In the research company, the call agents check that the majority of the questions have been completed. The research company employs permanent quality assurance staff inside the call centre who listen in on 20% of the calls made per agent per project, allowing for immediate identification of any incorrect survey techniques, or incorrect interpretation.

Should an agent be identified as operating faultily, the agent involved would fulfil a co-pilot position for a retraining session until such time as this agent was considered suitably fit to resume a live survey.

Emory and Cooper (1995:450) stated that incomplete questionnaires would negatively affect the validity of the information collected. Incomplete questionnaires or non-responses can be handled in different ways. Firstly, the respondent can be contacted again; but it was not applied in the study by the research company due to its possible negative impact on the bank in scope's relationship with its customers. Secondly, the complete questionnaire can be disregarded as unusable (this is known as case-wise deletion).

This method is appropriate when it appears that the respondent either did not understand the survey, or was not co-operating at all. The third option is to discard any problem questions or any individual questions with non-responses, and to retain the balance of the questions that were answered. This method is known as pair-wise deletion; and it was used to deal with the remainder of the incomplete questionnaires – where only a few responses were missing. The last option is to replace the missing values with the mean value of that variable (Aaker, Kumar, Day and Lawley, 2005:382).

In the research company's study, the number of faulty responses was limited, because the CATI programme indicates any missing responses, as well as the fact that 20% of the calls are monitored by quality assurance staff. The research company used the second method listed (case-wise deletion) to manage any incomplete questionnaires. The questionnaire cannot be submitted incomplete due to the CATI system used and the program would thus not allow the interview to be concluded without all fields being completed.

The next step to be discussed is the coding of the data, as applied by the research company.

5.8.2.2 Coding of the data

Coding is the process of assigning numerals or other symbols to answers, to enable the responses to be grouped into a limited number of classes or categories (Cooper and Schindler, 2008:456). Codes can be assigned before or after a research study is completed. Gray, Williamson, Karp and Dalphin (2007:141) define pre-coding as the assignment of codes to the different responses on the questionnaire before the questionnaires are distributed.

In the research company's study, pre-coding was used for closed-ended questions, multiple-choice questions and scaled questions. Examples of pre-coding used by the research company include "Yes" answers being coded as "1", and "No" answers being coded as "2". Product usage (for purposes of cross-selling) was coded as "1", and non-product usage was coded as "0". Pre-coding made the completion of data sheets unnecessary, as the data were accessible directly from the questionnaire onto the database.

This has the benefit of saving time, money and reducing the possibility of coding errors.

5.8.2.3 Data capturing

Cant *et al.* (2003:198) state that data entry or capturing are the tasks involved in the direct input of coded data into a software package that would ultimately allow the researcher to manipulate and transform the raw data into useful information. The research company used computers as data-entry devices. The data were entered directly through the CATI system – by capturing the questionnaires during the telephonic interviews.

The data capturers are continuously checked for errors through the quality control process, as explained earlier. It is possible for the research company to export the data into excel or other formats – for further use, if necessary.

5.8.2.4 Data cleaning

Data cleaning is an error-checking process conducted after data entry, and before data analysis, in order to identify any omissions, ambiguities and errors in the responses made during the data entry (Cody, 2008:16). According to Tustin *et al.* (2005:471), researchers have to attempt to clear the dataset of possible coding and data-capturing errors. The research company aimed to avoid mistakes by cleaning the data during and immediately after the collection of the data – by working accurately and conducting numerous cross-checks. All the files are checked for duplication or missing data by the data capturers by way of an automated process, and then spot-checked by team leaders to ensure clean data.

The analysis of the research company's database (as discussed in Section 5.7) demonstrated that this database contained quality data, and is thus considered appropriate for use in the study at hand. The research company's database was evaluated in terms of the research processes followed in compiling the database – with a specific focus on the quality of the data in this database. At this point, a decision was made by the researcher to continue with Step 8, namely data analysis

and reporting, using the two databases as secondary sources for the purpose of the study.

Step 8 in the research process describes the data analysis, and is set out briefly in the next section. The statistical tests used to analyse the data will be presented, but the results of the data analysis will be described in detail in Chapter 6.

5.9 STEP 8: DATA ANALYSIS AND REPORTING

Peck, Olsen and Devor (2011:6) define analysis as “the statistical and qualitative considerations of data gathered by research, including decision-making through use of the data”. The dataset needs to be analysed, in order to extract the applicable information to solve the research problem. The analysis of the data will be presented in Chapter 6 – by making use of tables, figures, descriptive statistics and multivariate statistical techniques.

The results of the study will be presented using descriptive statistics by way of frequencies, mean values and standard deviations. The mean is a measure of the central location of the distribution function of the variables; and it is used to determine the variance and standard deviation of the population at hand (Boslaugh & Watters, 2010:144). The standard deviation measures the spread of data of the mean – implying that some points are close to the mean; the standard deviation is small or low (indicating consistency or agreement); and if the points are removed from the mean, the standard deviation is high (indicating inconsistency or difference) (Ross, 2010:235).

A variety of tables and graphs will be used in Chapter 6 to reflect the descriptive statistics of the study.

As mentioned, the data from the two datasets was combined into a new dataset using MS Excel. The STATISTICA software programme was used to analyse the data. For the hypothesis testing of the final dataset, the significance level is set at 95% ($\alpha = 0.05$). Alpha (α) is denoted as the significance level; and it is used to

indicate the risk of rejecting the true null hypothesis (Tustin *et al.*, 2005:590). In this study, parametric testing was used to test the hypotheses that were based on the interval data. Firstly, the analysis of variance (ANOVA) test was used to compare the groups measured at an interval level, with follow-up Scheffè *post hoc* tests, where necessary. A one-way ANOVA uses a single-factor, fixed-effects model to compare the effects of one treatment or factor (Cooper and Schindler, 2008:493).

The ANOVA test was used in Hypotheses 1, 3_b, 4 and 6_C. A two-way ANOVA is used when several ordinal-level measures need to be compared with one another (Diamantopoulos & Schlegelmilch, 2000:194). Two-way ANOVAs were used in Hypotheses 2 and 6_b. Statistical tests that do not make use of stringent assumptions on the nature of the populations from which the sample data are drawn, are known as non-parametric tests or distribution-free tests.

In this study, non-parametric significance testing was done through Chi-square testing. In order to determine whether there is a relationship between two categorical variables, a Chi-square test can be used (Field, 2011:688). The Chi-square test was used to test for associations in Hypotheses 3_a, 5, and 7. Non-parametric tests are used to test hypotheses with nominal, as well as ordinal data (Cooper and Schindler, 2008:484). In some of the analyses, correspondence maps were used to illustrate and describe the statistics. A correspondence map seeks to illustrate a low-level map of the data at hand.

By using the Chi-square distance measure, the rows and columns in the merged correspondence map indicate a good approximation of the correlation between the different rows and columns (Baayen, 2008:129).

A summary of the statistical tests used to test the stated hypotheses, as well as the objectives, is presented in Table 5.5.

Table 5.5: Objectives, hypotheses, questions and statistical tests

OBJECTIVE	HYPOTHESIS	HYPOTHESIS TEST
to determine if segments serviced through different CRM processes experienced different levels of satisfaction	H_1: There is a significant difference between small, medium and large business segments and their levels of satisfaction	One-way ANOVA
investigating if there is a significant difference between small, medium and large business segments with reference to their satisfaction and cross-selling	H_2: There is a significant difference between the satisfaction levels of small, medium and large business segments and their cross-selling ratios	Two-way ANOVA
discovering if customers exposed to CRM over longer periods of time have higher levels of satisfaction	H_{3a}: There is an association between the length of customers' relationship with the bank and their level of satisfaction	Chi-Square
discovering if customers exposed to CRM over longer periods of time have higher levels of satisfaction	H_{3b}: There is a significant difference between small, medium and large segments in terms of the length of their bank relationship and their satisfaction levels	One-way ANOVA
assessing if segments serviced through higher levels of CRM result in higher cross-selling	H_4: There is a significant difference between small, medium and large business segments and their cross-selling ratios	One-way ANOVA
determining if customers exposed to CRM over longer periods of time result in higher cross-selling	H_5: There is an association between the length of a relationship and cross-sell ratios	Chi-Square
to investigate if customers with high cross-selling have a greater likelihood to recommend their bank	H_{6a}: Customers with high cross-selling ratios are more likely to recommend their bank than customers with low cross-selling ratios	Chi-Square
to determine if a higher likelihood to recommend within segments shows higher levels of cross-selling	H_{6b}: There is a significant difference in the cross-selling ratios between the small, medium and large business segments' likelihood to recommend their bank	Two-way ANOVA

OBJECTIVE	HYPOTHESIS	HYPOTHESIS TEST
assessing if segments differ in their likelihood to recommend their bank to others	H_{6c}: There is a significant difference between small, medium and large business segments and their likelihood to recommend their bank	One-way ANOVA
investigating if customers with a longer bank relationship have a higher likelihood to recommend the bank	H_{7}: There is an association between the length of a customer's relationship with the bank and his/her likelihood to recommend the bank	Chi-Square

The final step in the research process entails the reporting of the findings of the study, as summarised in Table 5.5. The findings from the data analysis will be reported in Chapter 6; and the conclusions, implications and recommendations of the findings will be discussed in Chapter 7.

5.10 SUMMARY

This chapter has outlined the empirical components of the study and set the scene for the discussion of the results to follow in Chapter 6 (research findings) and Chapter 7 (recommendations and implications). Chapter 5 described the research process followed in this study, including a discussion of the research problem, research objectives and the hypotheses used to develop the research design. The research design delineated the structure of the investigation in such a way as to reach the objectives and solve the research problem. The research process included a discussion of two available databases – with the aim to use these secondary sources as input for the study.

After confirmation of the data quality of the available databases, these databases were combined into a final dataset. Chapter 5 concluded with a brief discussion on the planned data analysis. The analysis of the data will be presented in Chapter 6, and the detailed findings of the study in Chapter 7.

CHAPTER 6

RESEARCH RESULTS

6.1 INTRODUCTION

The empirical data used during the study will be analysed in this chapter, summarised and reported on. The research was executed to achieve the objectives mentioned in Section 1.4 and Section 5.2. The chapter begins by providing a demographic profile of the respondents, followed by a descriptive analysis of the data. In the final section of the chapter, the reliability and validity of the measurement scale is addressed, whereafter the research objectives, as well as the hypothesis testing of the results will be presented.

6.2 THE RESPONSE RATE

From January 2009 until December 2011, small, medium and large customer segments of the bank in scope were questioned by the research company by way of a structured questionnaire by means of a CATI system. The total number of customers that were interviewed was 23 322. Table 6.1 depicts the breakdown between the small, medium and large segment customers interviewed by the research company involved in this study.

As indicated in Section 5.7, data mining was conducted on the data received from two main sources. The first source was data received from a research company which conducted research for the bank in scope; while the second set of data was sourced from the bank in scope's data warehouse. After the data had been cleaned, the two datasets were combined into one final dataset. The researcher merged the two datasets through the unique customer codes. This process also enabled the researcher to clear any data where there was missing information, data were corrupted, or where there was duplication of the respondents.

This resulted in the final dataset totalling 20 661 respondent entities that were then used during the composition of this study.

Table 6.1: Realised sample and dataset after cleaning

Business Bank Segment	Realised sample	Sample after data cleaning
Small business customers	17 063	15 422
Medium business customers	4 830	4 155
Large business customers	1 429	1 084
TOTAL RESPONSES	**23 322**	**20 661**

6.3 DESCRIPTIVE DATA

The tables and figures in this section report on the findings of the descriptive statistics. Sections 6.3.1 to 6.3.4 provide a profile of the respondents, as contained in the final dataset. All percentages in the descriptive data section are rounded off to a full number without any decimals.

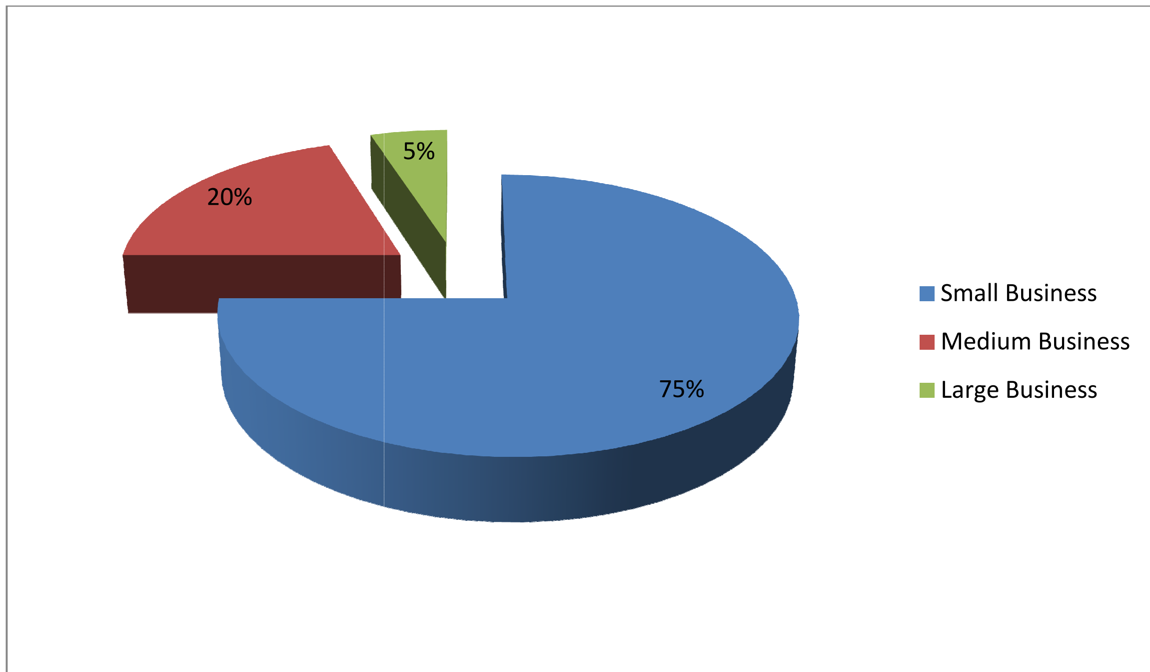
6.3.1 Business-customer segments

The composition of the customer segments is presented in Figure 6.1, indicating the customer distribution between small, medium and large business customers in the final dataset.

Figure 6.1 indicates that of the 20 661 respondents; 75 per cent (15 422 respondents) were from the small business segment; 20 per cent (4 155 respondents) were from the medium business segment; and 5 per cent (1 084 respondents) were from the large business segment. The composition of the different segments, as represented in Figure 6.1, reflects the same trend as seen in

the total population set out in Table 5.1; the small business customer segment constitutes the bulk of the business customers, followed by medium business segment customers and then the segment that represents the large business segment.

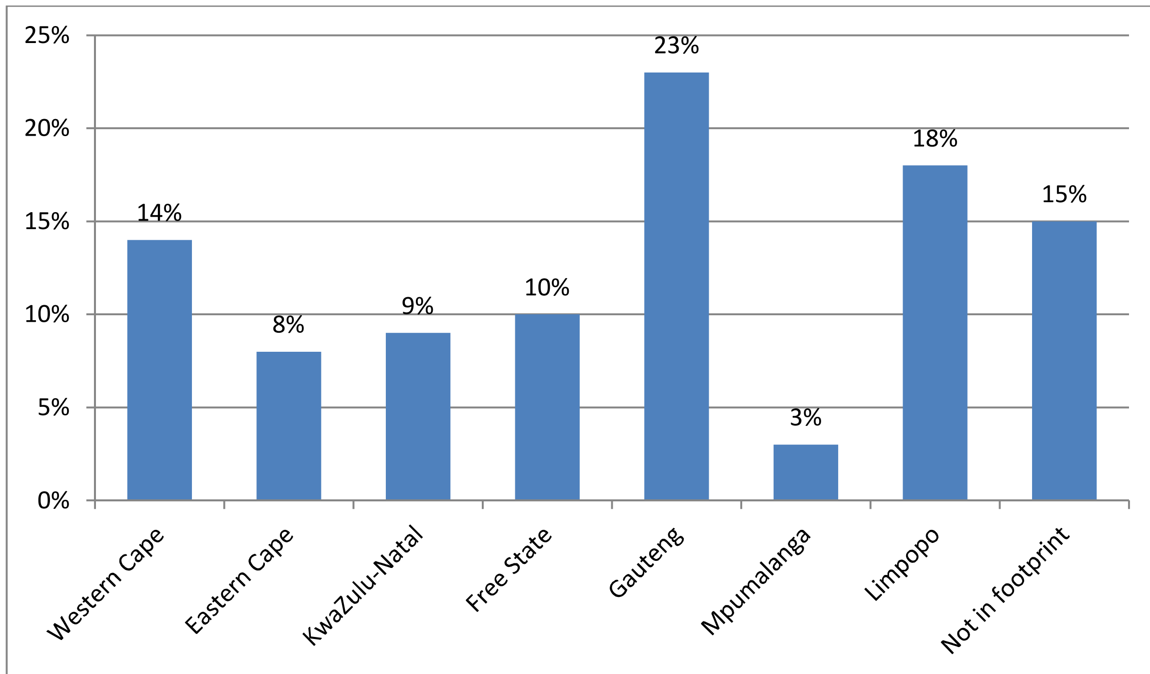
Figure 6.1: Composition of customer segments



6.3.2 Geographical region

The geographical location of the respondents in this study is reflected in Figure 6.2. All regions in South Africa are directly represented - except for the North West province and the Northern Cape. These two regions (provinces) are included in the statistics for Gauteng and Western Cape respectively. In terms of the bank in scope's branch footprint, the details for the Northern Cape are included with the Western Cape; and the North West is included with Gauteng, and could therefore not be reflected separately in the descriptive statistics (refer to geographical distribution of the respondents presented in Figure 6.2).

Figure 6.2: Geographical representation per segment



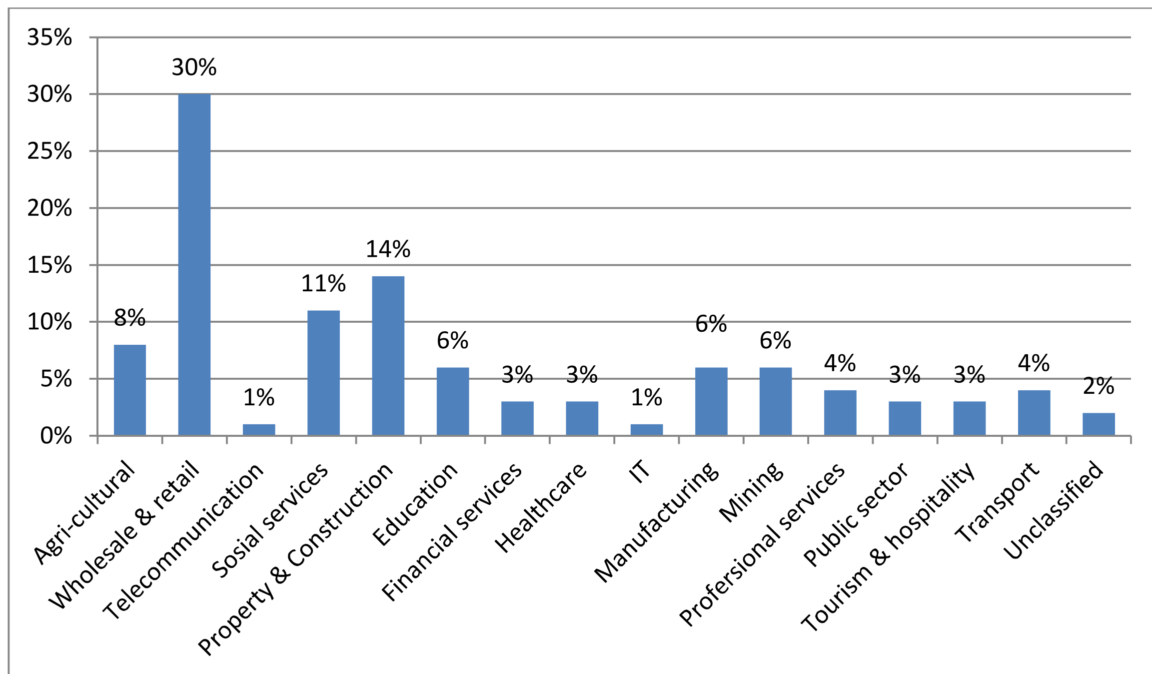
Some of the respondents could not be linked to a region due to non-classification in the bank in scope's national footprint, and were subsequently termed as "not in footprint". In terms of respondent numbers, the sample was made up as follows: Gauteng 4786 (23%); Limpopo 3 806 (18%); Western Cape 2 962 (14%); percentage not in footprint 3 104 (15%), Free State 2 107 (10%), KwaZulu-Natal 1 950 (9%), Eastern Cape 1 744 (8%), Mpumalanga 615 (3%), North West (0%), Northern Cape (0%).

The bank in scope's business customers also operates in different sectors of the economy. The customers' classification per sector will be outlined in Section 6.3.3.

6.3.3 Sector classification

The classification of the different business sector customers is displayed in Figure 6.3.

Figure 6.3: Customer classification per sector



From Figure 6.3, it is evident that the bulk of customers trade in the wholesale and retail sector (6 100; 30%). The remainder of the sample is spread as follows: property and construction 2 984 (14%); social services 2 284 (11%); agricultural 1 705 (8%); education 1 296 (6%); manufacturing 1 216 (6%); services 851 (4%); transport 804 (4%); professional public sector 833 (3%), tourism and hospitality 708 (3%); financial services 517 (3%); telecommunication 350 (1%); information technology 250 (1%); and mining 260 (1%).

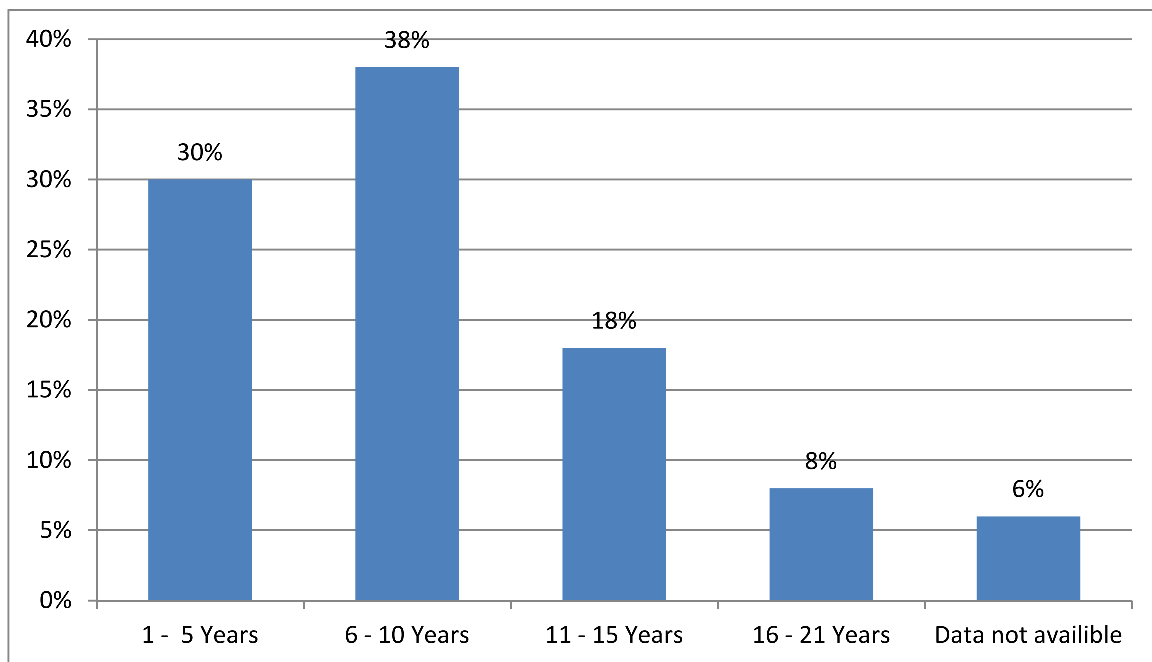
Classification by sector is not a mandatory field in the database, resulting in: 503 (2%) of the respondents not being identified with regard to the sector in which they operate.

Each business customer has been a customer of the bank in scope for a certain period of time. The length of the customer's relationship with the bank will be presented in the next section.

6.3.4 Length of customer's relationship with the bank in scope

Figure 6.4 indicates the duration of the relationship between the customers and the bank in 5-year timeslots, except for the timeframe 16-21 years, which represents a 6-year timeframe. Grouping customers in 5-year periods allows a visual representation of customers across the past 21 years of the bank in scope's operation.

Figure 6.4: Customer classification according to length of relationship



The composition of the sample relating to the length of the relationship is as follows: the majority of the customers (7736; 38%) had had a relationship of 6 to 10 years with the bank. This was followed by customers with a relationship of 1 to 5 years (6 233; 30%). These two time periods (1-10 years) represent more than two thirds of the customer base in the sample. Customers with a relationship of 11 to 15 years (3 820; 18%) comprised the third highest category; and customers with a relationship of 16 to 21 years (1 591; 8%) represented the smallest contribution to the sample. A total of 6 per cent of customers records (1 281) did not record when their business with the bank in scope commenced.

It is worth noting that customers with a relationship longer than 21 years were excluded from this study, as they represented outliers. These outliers were excluded because they represented time periods beyond the existence of the bank in scope. Section 6.3.4 addressed the descriptive statistics of the study. The next section will present the reliability and validity of the data. Thereafter, the research objectives and the hypothesis results will be discussed.

6.4 RELIABILITY AND VALIDITY

Validity and reliability have already been discussed in Section 5.7.4; and presented in Table 5.3 (reliability), and Table 5.4 (validity). As outlined in Table 5.3, the results indicate that the instrument used was reliable, since the reliability test reflected that the minimum required Cronbach alpha values of 0.70 were exceeded in all instances. As indicated in Table 5.4, the qualifying criteria were met in all instances, indicating that the measurement instrument showed validity. The customer satisfaction constructs remain unchanged in the final dataset – as the respondents' data were only supplemented with biographical data from the warehouse database.

As the research company database forms the basis of the customer-satisfaction data, the final dataset does not need to be tested for validity and reliability again. This is because the customer-satisfaction constructs remain unchanged in the final dataset, as the respondents' data were only supplemented with biographical data from the warehouse database.

In the next section, the research objectives and the results of the hypotheses will be presented.

6.5 RESEARCH OBJECTIVES AND HYPOTHESES RESULTS

6.5.1 Research objective 1

The first research objective was to determine whether customers from small, medium and large business segments experienced different levels of customer satisfaction. Based on the bank in scope's customer model, small, medium and large business customers are divided into separate banking segments that operate with different CRM structures. These structures differ with reference to their staff complement, operating models, as well as the technology used to service the customer with more investment – as the customer moves from small to medium, to the large segment.

Based on the premise that the perception of service inadequacy leads to customer dissatisfaction (Lashley, 2012:222), it is important to determine whether the customers serviced through different levels of CRM actually experienced different levels of satisfaction. The implementation of CRM happens on different levels, each characterised by its own distinctive processes (Botha, Bothma & Geldenhuys, 2008:385) To measure the differences in customer-satisfaction levels, Hypothesis 1 was developed and tested.

H_1: There is a significant difference between small, medium and large business segments and their levels of satisfaction

The abovementioned hypothesis includes a comparison between the three groups, namely: small-business customers, medium-business customers and large-business segments customers. The classification for these different groups was set out in Section 1.1. For the purpose of testing the hypotheses in this study, the significance level for all the hypotheses was set at a 5 per cent significance level ($\alpha=0.05$), as mentioned in Chapter 5. Hypothesis 1 was tested using the One-way Analysis of Variance (ANOVA), where the averages between the segments were compared. Two assumptions must be met before an ANOVA test can be performed.

Firstly, each of the groups must be a random sample from a normal population. This is determined by using a normality test, which refers to the shape of the distribution curve of the sample (Diamantopoloulos & Schlegelmilch, 2000:187). This test calculates the level of significance for the differences from a normal distribution; and, if the test statistic is significant, it indicates that there is not a normal distribution. The results of the one-sample Kolmogorov-Smirnov tests revealed values of $p<0.00$ for all three segments. Despite the fact that all the test results were significant (indicating non-normality) a decision was made to accommodate the normality violation for three reasons. Firstly, if the mean (N) per cell is fairly large, then deviations from normality do not matter much because of the central limit, according to which the sampling distribution of the mean approximates the normal distribution, regardless of the distribution of the variable in the population (Hair *et al*., 2006:81).

Secondly, the normality violation can be accommodated, as long as the differences are not due to outliers (Tabachnick & Fidell, 2001:329). A visual examination of the data did not indicate any outliers in the data. Thirdly, StatSoft, (2006:64) suggested that when the smallest cell has 20 or more observations, even if there are unequal cell sizes, tests are robust to the violation of the normality assumption. All the afore-mentioned aspects provided support for the decision to continue with the ANOVA, despite the violations of the normality assumption.

The second assumption is that of homogeneity. This refers to the fact that the variances in the groups must be equal (Diamantopoloulos & Schlegelmilch, 2000:187). Homogeneity is tested using the equality of variance and the Levene F-test for variability. The Levene F-test done for this assumption presented a value of $p<0.00$ (F 10.41), indicating that the groups are not equal. Fortunately, these tests are robust to violations of the homogeneity assumption, especially if both groups are large ($n>30$), and more or less equal in size – as is the case with the large sample (StatSoft, 2006:64).

Since an ANOVA test result only shows an overall significant difference, Scheffé *post hoc* tests were performed to identify which groups displayed significant differences. Table 6.2 presents the ANOVA results including the Scheffé *post hoc*

test results. At this stage, it is important that, as indicated in Chapter 5, a -5 to +5 confirmation-disconfirmation scale was used to measure customer satisfaction. To improve the interpretability of the results, the scores were transposed to a satisfaction index by allocating a value of 9.09 to each point in the scale (11 scale points in total), which added up to a score out of 100, depending on the scale point selected by the respondent. It must be emphasised that this does not relate to a percentage, but is simply a score out of 100.

Table 6.2: ANOVA results for the satisfaction score

Segment	N	Satisfaction score	F-value	p-value
Small business	15 422	81.70[a]		
Medium Business	4 155	79.00[a]		
Large Business	1 084	81.00[b]		
Wilks' Lambda			10.41	0.00

The results of the Scheffé *post hoc* tests are indicated with [a] and/or [b]. All mean values containing the same letters (for example, [a]) indicate that the groups differ significantly from one another. All mean values containing different letters (for example, [a] or [b]) indicate that these groups do not differ significantly from one another.

As shown in Table 6.2, the Wilks' Lambda value indicates a significant difference (p<0.00) between the different segments in terms of the satisfaction experienced. The null hypothesis is thus rejected, as there is support for H_1. The Scheffé *post hoc* tests revealed that small and medium business segment customers differ from one another in terms of their satisfaction experienced (mean value of 81.70 versus 79.00). Small business segment customers had the highest satisfaction level (81.70) and medium business segment customers had the lowest (79.00).

6.5.2 Research objective 2

Bolton and Lemon (1999:176) stated that customers who demonstrate high levels of cumulative satisfaction would have higher usage levels, and would continue to do so in subsequent time periods. Mittal and Kamakura (2001:140) reported that

satisfaction has a positive effect on cross-buying, which was also confirmed by Olivier, Romm and Sudweeks (2008:218). The second research objective was to determine whether the segments with higher levels of satisfaction showed higher cross-selling behaviour; and this was formulated as Hypothesis 2.

H_2: There is a significant difference between the satisfaction levels of small, medium and large business segments and their cross-selling ratios.

As reported in Section 5.4.2, it is believed that customers who have high levels of cumulative satisfaction would exhibit higher usage levels, and would continue to do so in subsequent time periods (Hoffman & Bateman, 2011:303).

Hypothesis 2 includes a comparison between three groups, namely: small-business segment customers, medium-business segment customers and large-business segment customers. Hypothesis 2 used a two-way analysis of variance (ANOVA) test. The two-way analysis of variance is an extension of the one-way analysis of variance; and it is used when there are two independent variables (Diamantopoloulos & Schlegelmilch, 2000:194).

The two-way ANOVA was conducted using the number of products as the dependent variable, and the two factors, namely, the customer segment and each segment's satisfaction level, as the independent variables. As indicated in Section 6.5.1 there are two assumptions that must be met before an ANOVA can be conducted. Firstly, each of the groups must be a random sample from a normal population; and secondly, the variances in the groups must be equal (homogeneity). Mirroring the results of the research objective, one of the Kolmogorov-Smirnov tests indicated a p-value of $p<0.00$; and the Levene F-test for variability F value was cited as 7.55, confirming that the assumptions for this test were not met. This test calculates the level of significance for the differences from a normal distribution curve; and, if the test statistic is significant, it indicates that there is not a normal distribution (Smith, Gratz & Bousquet, 2008:216).

As stated in research objective one; if the N per cell is fairly large, then deviations from normality do not matter because of the central limit theorem, according to which the sampling distribution of the mean approximates the normal distribution, regardless of the distribution of the variable in the population (Hair *et al.*, 2006:81). Fortunately, these tests are robust to violations of the homogeneity assumption. To enable one to simplify the analysis; and the composition of the overall satisfaction ratings was kept the same as used by the bank in scope. Overall satisfaction ratings were divided into three groupings. Rating scores of 0, 1 and 2 were classified as "Failure" in terms of the satisfaction experienced. Ratings of 3, 4, 5, 6, and 7 were classified as "Moderate" in terms of the satisfaction experienced. Finally, ratings of 8, 9 and 10 were classified as "Excellent" in terms of the satisfaction experienced**. The ANOVA test result showed a statistically significant interaction effect between the segments and the satisfaction groupings, $F(4, 206) = 7.54$, $p<0.00$. The null hypothesis was thus rejected, showing support for H_2.** Table 6.3 presents the post-hoc test results to indicate where these differences occur.

Table 6.3: Post-hoc test results for segments' satisfaction levels and product usage

Segment		Small Business			Medium Business			Large Business			Mean
	Satisfaction	Failure	Moderate	Excellence	Failure	Moderate	Excellence	Failure	Moderate	Excellence	
Small Business	Failure		0.19	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	2.36
	Moderate	0.19		**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	2.54
	Excellence	**0.00**	**0.00**		**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	2.22
Medium Business	Failure	**0.00**	**0.00**	**0.00**		0.94	0.99	0.99	0.99	0.43	4.07
	Moderate	**0.00**	**0.00**	**0.00**	0.94		0.81	0.91	1.00	0.87	3.76
	Excellence	**0.00**	**0.00**	**0.00**	0.99	0.81		0.99	0.99	0.17	4.25
Large Business	Failure	**0.00**	**0.00**	**0.00**	0.99	0.91	0.99		0.95	0.64	4.10
	Moderate	**0.00**	**0.00**	**0.00**	0.99	1.00	0.99	0.95		0.92	3.96
	Excellence	**0.00**	**0.00**	**0.00**	0.43	0.87	0.17	0.64	0.92		3.99

The Scheffè *post hoc* tests in Table 6.3 show that there are significant differences between small and medium business customers on all levels of satisfaction measured. This is also the case between small and large business segments. For

the small business segment, there is a significant difference between excellence and failure, as well as excellent and moderate rating respondents.

These differences can also be explained using an interactive graph as depicted in Figure 6.5. Interactive graphs allow for graphic imaging of multiple-data points on one diagram to better explain the interactivity of the data (Theus & Urbanek, 2009:114).

Figure 6.5: Comparison of satisfaction and product usage per segment

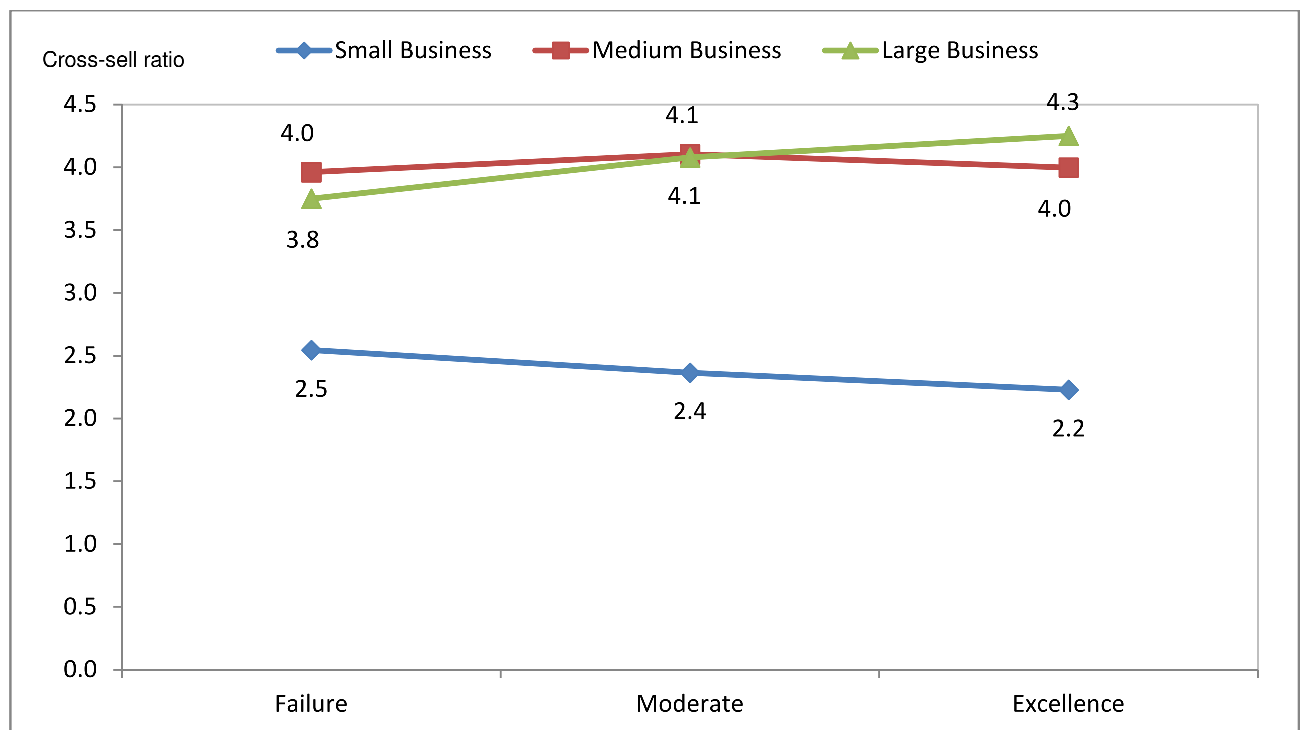


Figure 6.5 summarises the comparison between satisfaction experienced and product usage per segment. Earlier in this section, the classification of satisfaction levels in terms of “Failure, Moderate and Excellence” was set out. Figure 6.5 illustrates that the “Failure” of small business segment customers had a cross-selling of 2.5; large business customers were 3.8; and medium business customers were 4.0. “Moderate” small business segment customers displayed a cross-selling of 2.4; and both medium and large business a cross-selling of 4.1.

The "Excellent" small business group reflected a cross-selling of 2.2; medium business 4.0; and large business 4.3.

It may, therefore, be concluded that small business segment customers who are more satisfied use less banking products or services than customers who are less satisfied. In the medium segment customers, those who are the most satisfied, use the same amount of products as those who are least satisfied. In the medium segment customers, those who are moderate in terms of satisfaction, show the highest cross-selling ratios. In the large business segment, it was found that higher satisfactions levels use more products.

From these results it may be concluded that small business customers use less products despite higher levels of satisfaction. On the other hand, medium and large business customers increase their product usage, as their satisfaction levels increase. It may be concluded that the data analysis has provided evidence that there is a significant difference between the satisfaction levels of small, medium and large business segments and their cross-selling ratios.

6.5.3 Research objective 3

Objective three asks the question whether the customers that are exposed to CRM over longer periods of time exhibit higher levels of satisfaction. For the bank in scope, small, medium and large business banking segments operate on different CRM structures. One would thus expect that those segments exposed to higher levels of CRM would be more satisfied. This notion is supported by previous studies (Stevens, Loudon, Cole & Wrenn, 2006:29) that suggest that CRM is used to build long-term relationships, in order to keep customers more satisfied. It was, therefore, hypothesised that:

H_{3a}: There is an association between the length of a customer's relationship with the bank and their level of satisfaction

The abovementioned hypothesis aims to determine the association between satisfaction levels and the length of relationship with customers. In order to test Hypothesis 3a, a Chi-square test was conducted. The Chi-square test is used to determine the associations between the observed distribution of data among categories and the expected distribution based on the null hypothesis (Cooper & Schindler, 2008:484). As mentioned in Section 6.3.4, the length of customers' relationships with their bank is presented in 5-year intervals; with the interval 16-21 years being a 6-year category.

As previously indicated, ratings of 0, 1 and 2 were classified as "Failure" in terms of the satisfaction experienced. Ratings of 3, 4, 5, 6, and 7 were classified as "Moderate" in terms of the satisfaction experienced. Ratings of 8, 9 and 10 were classified as "Excellent" in terms of the satisfaction experienced. The results of the Chi-square test are represented in Table 6.4.

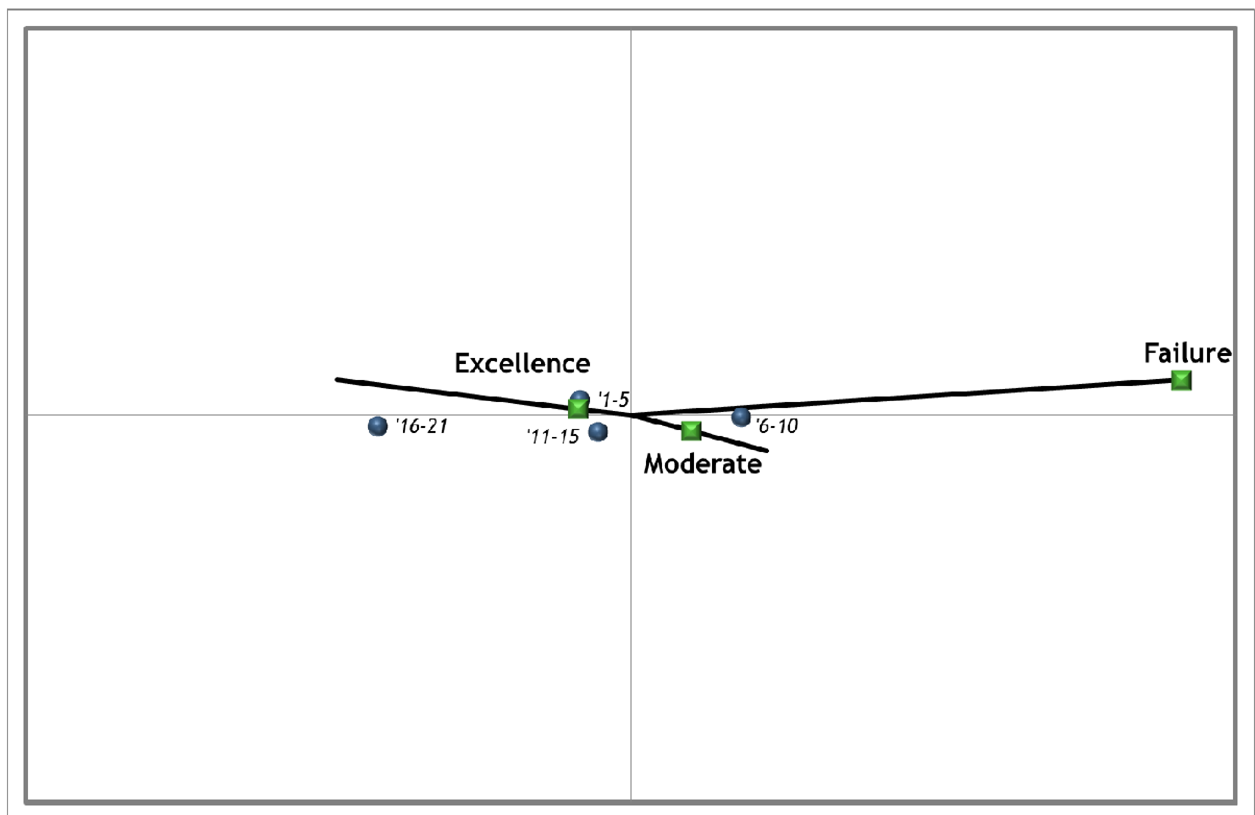
Table 6.4: Chi-square results for length of relationship and levels of satisfaction

Length of relationship		Failure	Moderate	Excellent	Row Total	Chi-square value	p-value
1 to 5 years	Frequency Row %	158 3	1993 31	4082 65	6233		
6 to 10 years	Frequency Row %	244 3	2571 33	4923 64	7737		
11 to 15 years	Frequency Row %	95 2	1250 33	2475 65	3820		
16 to 21 years	Frequency Row %	25 2	499 21	1067 67	1591		
Column total		522	6313	12 547	19382		
Chi-square result						20.50	0.00

In Table 6.4, it may be seen that there exists an association between the groups tested. **The Chi-square value indicates an association ($p<0.00$) between the different segments. The null hypothesis was thus rejected, as there is support for H_{3a}.** It can, therefore, be confirmed that there is an association between the length of a customer's relationship with the bank and his/her level of satisfaction.

Figure 6.6 reflects the correspondence map of the length of the relationship versus the satisfaction association. Correspondence mapping is a technique, which allows rows and columns of a data matrix (e.g. average satisfaction scores for several products) to be displayed as points in a two-dimensional map (Anon., 2012).

Figure 6.6: Correspondence map of the length of relationship versus satisfaction grouping



In Figure 6.6, the centre of the correspondence map represents the overall mean of each attribute, and this is the centre around which the groupings are dispersed. The blue dots represent the length of the relationship, while the green dots represent the satisfaction experienced by the customer. As may be seen from the correspondence

map (Figure 6.6), a dependence exits between customers experiencing “Excellent” and “Moderate” levels of satisfaction in the periods 1 to 5, 6 to 10 and 11 to 15 years, whereas the period 16 to 21 years is relatively closer to “Excellent”.

This also means that customers with satisfaction levels and relationship periods near the centre of the maps are not very different. Failure does not show any close dependence, but it is closest to the period 6 to 10 years. The length of the failure vector represents the extent to which the relationship period differs on that attribute. A second hypothesis was formulated to address the research objective, namely:

H_{3b}: There is a significant difference between small, medium and large segments in terms of the length of their bank relationship and their satisfaction levels

As already mentioned in Section 6.5.2, there are two assumptions that must be met before a legitimate ANOVA can be used. The Kolmogorov-Smirnov test indicated a value of $p<0.00$; and the Levene F-test for variability value was cited as 13.93, confirming that the assumptions for this test were not met. This test calculates the level of significance for the differences from a normal distribution; and, if the test statistic is significant, it indicates that there is not a normal distribution. As stated in earlier objectives; if the N per cell is fairly large, then deviations from normality do not matter much, because of the central-limit theorem, according to which the sampling distribution of the mean approximates the normal distribution, regardless of the distribution of the variable in the population.

The tests are robust to violations of the homogeneity assumption. The abovementioned aspects provided support for the decision to continue with the ANOVA despite the violations of the normality assumption. The classification of the length of relationship remains, as discussed earlier in H_{3a}. Table 6.5 presents the ANOVA results including the Scheffé test results.

Table 6.5: ANOVA results for significant difference between segments with reference to the length of the relationship and satisfaction

Length of relationship	Small Business	Medium Business	Large Business	F-value	p-value
1 - 5	81.17[ae]	78.60	78.63		
6 - 10	80.68[abe]	76.63[bc]	78.60		
11 - 15	81.43[ce]	80.00[df]	80.80		
16 - 21	83.02[def]	80.30	80.17		
Wilks-Lambda				13.93	0.00

The results of the Scheffé *post hoc* tests are indicated with [a] to [e]. All mean values containing the same letters (for example, [a]) indicate that the groups differ significantly from one another. All mean values containing different letters (for example, [a] or [b]) indicate that these groups do not differ significantly from one another.

Table 6.5 (Wilks-Lambda, p<0.00) reflects that there is a significant difference between the satisfaction levels and the length of relationship of the groups tested. The null hypothesis was thus rejected, as there is support for H_{3b}. In order to determine where the differences between the three groups are, Scheffè *post hoc* tests were conducted to determine where the differences lie between the various segments; and the respective mean values are indicated below:

- There is a significant difference between the satisfaction levels of small business segment customers in the category "1 to 5 years" and that of small business segment customers in the category "6 to 10 years", with the first group having slightly higher satisfaction levels (81.17 versus 80.68);
- Comparing the segments of small and medium business, it can be seen that there is a significant difference between satisfaction levels of small business customers in the category "6 to 10 years" and that of medium business customers in the category "6 to 10 years". The small business customers have a higher satisfaction level (80.68) than that of medium business customers (76.63);
- There is a significant difference between the satisfaction levels of small business segment customers in the category "11 to 15 years" (81.43) and that of medium business segment customers in the category "6 to 10 years" (76.63);
- There is a significant difference between the satisfaction levels of small business segment customers in the category "16 to 21 years" and that of medium business segment customers in the category "6 to 10 years". The medium

business segment customers experienced a lower satisfaction level (76.63) compared to the small business customers (81.43);

- There is a significant difference between the satisfaction levels of small business segment customers in the category “16 to 21 years” and that of medium business segment customers in the category “11 to 15 years”, with the small business customers having higher levels of satisfaction (83.02) than that of the medium business customers (80.00).

From the above-mentioned it may be concluded that there is a significant difference between the satisfaction levels experienced by small and medium business customers and the different lengths of relationship. There exists no difference between any of these two segments and that of large business.

6.5.4 Research objective 4

The fourth research objective is to determine whether segments serviced through higher levels of CRM result in higher cross-selling. It would be beneficial for managers to know if customers serviced through different levels of CRM result in different cross-selling ratios. For this study, cross-sell ratio was operationalised by considering the absolute value of use as indicated by the product usage. Companies rate their customers in different categories; and in those cases where they have high investment on less valuable customers or low investment on highly valuable customers, they are wasting critical resources and are missing opportunities for growth and profitability; thus, more attention to CRM is required (Alvandi, Fazli & Abdoli, 2012:2296).

By getting to know customers better, it becomes easier to know which ones require or justify higher levels of management activity (CRM), in order to improve cross-selling or up-selling (Woodstock *et al.*, 2003:16). It is, therefore, hypothesised that:

H_4: There is a significant difference between small, medium and large business segments and their cross-selling ratios

As previously argued, the assumptions of normality and homogeneity have to be met before a legitimate ANOVA test can be conducted. The Levene F-test for variability F value was cited as 189.00, and the Kolmogorov-Smirnov test indicated a p-value of p<0.00 – confirming that the assumptions for this test were not met. Again, the N value per cell is fairly large, and the tests are robust to violations of homogeneity and normality, and would, therefore, still be considered relevant.

Table 6.6: ANOVA results for significant differences between segments with reference to cross-selling ratios

Segment	Cross-selling ratio	F-value	p-value
Small business	2.29[ab]		
Medium Business	4.04[a]		
Large Business	4.14[b]		
Wilks' Lambda		189.00	0.00

The results of the Scheffé *post hoc* tests are indicated with [a] and/or [b]. All mean values containing the same letters (for example, [a]) indicate that the groups differ significantly from one another. All mean values containing different letters (for example, [a] or [b]) indicate that these groups do not differ significantly from one another.

Table 6.6 presents the ANOVA table, including the Scheffé test results, and suggest that there is a significant difference between the groups tested. **The Wilks-Lambda value indicates a significant difference (p<0.00) between the different segments in terms of their cross-selling ratio or cross-selling. The null hypothesis was thus rejected, as there is support for H_4.** Scheffè *post hoc* tests were conducted to determine where the differences lie between the various segments, and the respective mean values are indicated below:

- There is a significant difference between small business segment customers and medium business segment customers with reference to their cross-selling ratios;
- Small business segment customers had the lowest cross-selling ratios of all three segments (2.29), and also differed significantly from the large business segment, as well as from the medium business segment.

Considering the results, as indicated in Table 6.6, it can be stated that a significant

difference exists between the cross-sell ratios of small business segment customers and medium business segment customers, as well as between small business segment customers and large business segment customers.

6.5.5 Research objective 5

The fifth research objective was to establish whether customers exposed to CRM over longer periods of time result in higher levels of cross-selling. Reinhartz, Thomas & Bascoul (2008:6) state that cross-selling is an antecedent of loyalty measured by the length of a relationship. Verhoef *et al.* (2002:214) found that the impact for satisfaction and commitment on cross-selling is stronger for longer relationships. It is therefore hypothesised that:

H_5: There is an association between the length of a relationship and the cross-selling ratios

The composition of length of relationships has already been set out in previous sections. Table 6.7 presents the Chi-square results.

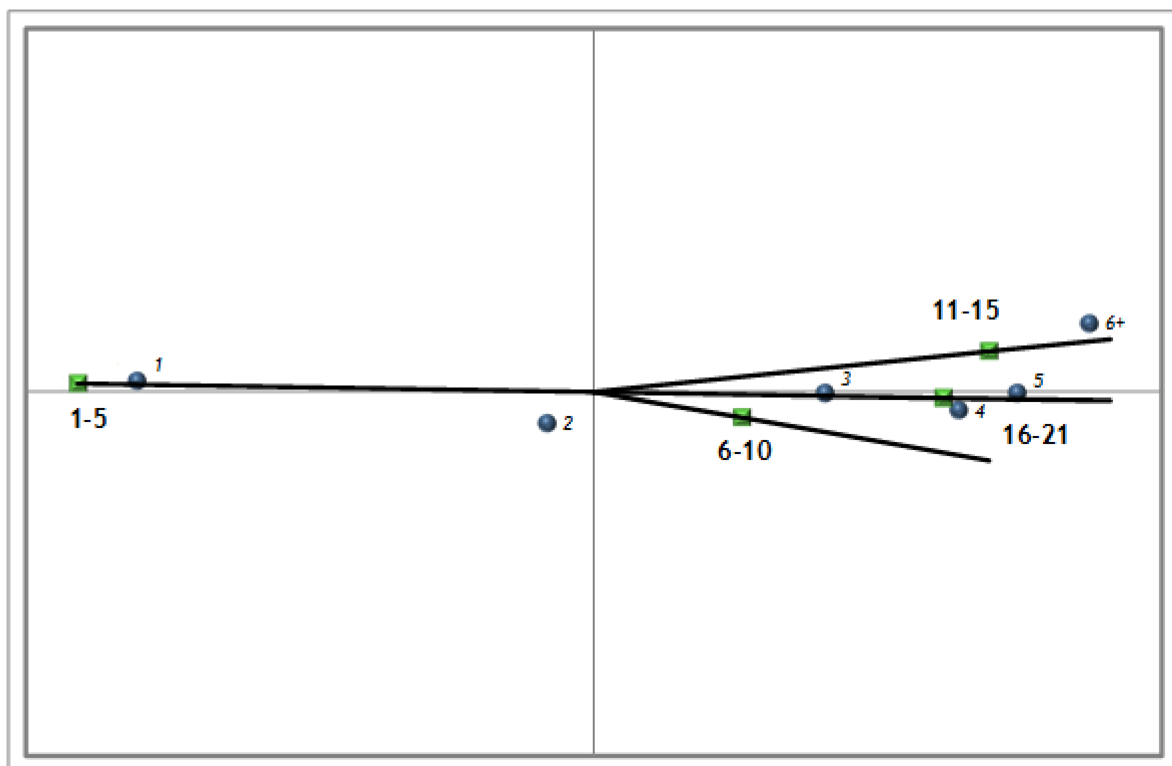
Table 6.7: Chi-square results for length of relationship and cross-selling ratio

Length of relationship		Cross-sell ratio: 1	Cross-sell ratio: 2	Cross-sell ratio: 3	Cross-sell ratio: 4	Cross-sell ratio: 5	Cross-sell ratio: 6+	Row total	Chi-square value	p-value
1 to 5 years	Frequency Row %	3538 57	1254 20	618 10	403 6	269 4	151 2	6233		
6 to 10 years	Frequency Row %	2112 27	1515 20	1262 16	1255 16	995 13	599 8	7738		
11 to 15 years	Frequency Row %	697	628	710	709	609	467	3820		
16 to 21 years	Frequency Row %	296 18	310 16	280 19	297 19	234 16	174 12	1591		
Column total		6643	3707	28870	2664	2107	1391	19 382		
Chi-Square result									2726.70	0.00

From the results in Table 6.7, it may be concluded that there is an association between the groups tested. **The Chi-square value indicates an association (2 726.70, p<0.00) between the length of relationship and the cross-selling ratios. The null hypothesis was thus rejected, as there is support for H_5.** It can, therefore, be stated that there is an association between the length of a customer's relationship with the bank and the cross-selling ratios; the longer the relationship, the higher the cross-selling ratios. Figure 6.7 reflects the correspondence map of the net promoter score grouping. The composition and working of the net promoter score was explained in Sections 3.3.4 and 5.7.3.1.

In the correspondence map, the centre of the brand map represents the overall mean of each attribute, and is the centre around which the products and relationship details are dispersed. The blue dots represent the amount of products used per relationship category, while the green dots represent the relationship period applicable.

Figure 6.7: Correspondence map of the length of relationship and product grouping



As can be seen from the correspondence map (Figure 6.7), customers using 1 or 2 products are mainly those with a relationship of 1 to 5 years. The cross-selling ratios of 3, 4, 5 and 6+ products are closer to the timeframes of 6 to 10 years, 11 to 15 years, and 16 to 21 years.

Figure 6.7 reflects that the product usage of one banking product or service and a relationship period of 1 to 5 years tend to lie close together to the left of the centre. As these dots lie far from the centre of the map, they are considered to be closely associated. The length of the vector to the left indicates that these two variables differ from those on the far right of the map. Product usage of three, four, five and six, as well as relationship periods of 6 to 10, 11 to 15 and 16 to 21 years lie in a similar direction (far right from the centre).

The fact that these variables lie far from the centre of the map indicates that they are considered to be closely associated. The length of the vector to the right indicates that these variables differ from those on the far left of the map. The angles between the vectors represent relationships between variables; the smaller the angles, the more correlated the attributes are. The length of the failure vector also represents the extent to which the relationship period differs on that attribute; and it can be surmised that the longer the relationship exists, the higher the cross-selling ratios will be.

6.5.6 Research objective 6

Customers seem to support their financial institution, buy more products and promote the financial institution, based on their satisfaction level (Liu and Wu, 2008:498). Customers who are net “Promoters” have to be studied and analysed, as they are likely to buy more products (Brooks & Owen, 2008:334). From the above, it is hypothesised that:

H_{6a}: Customers with high cross-selling ratios are more likely to recommend their bank than customers with low cross-selling ratios

Likelihood to recommend (also referred to as the net promoter score, as was discussed in Section 3.3.4) is an internationally acknowledged and widely used indicator of loyalty and customer advocacy. Measurement of the net promoter score was done through an 11-point Likert scale. In line with the bank in scope's measurement of "Promoters", any listing between 1 and 6 is considered a "Detractor", a score of 7 or 8 is considered "Indifferent", and a score of 9 and 10 is termed a "Net promoter". Table 6.8 presents the Chi-square results for Hypothesis 6a.

Table 6.8: Chi-square results for likelihood to recommend the bank and product usage

Cross-selling		Detractor (N)	Indifferent (N)	Promoter (N)	Row Total	Chi-square value	p-value
1	Frequency Row %	1853 27	1870 27	3177 46	6900		
2	Frequency Row %	1167 29	1169 30	1648 41	3984		
3	Frequency Row %	1072 35	851 27	1177 38	3100		
4	Frequency Row %	1003 35	791 28	1047 37	2841		
5	Frequency Row %	816 37	616 27	804 36	2236		
6 +	Frequency Row %	560 38	441 29	496 33	1497		
Column total		6471	5738	8349	20 558		
Chi-square result						214.80	0.00

As can be observed from Table 6.8, there is an association between the two categories. The Chi-square value (214.80, p<0.00) indicates an association between customers regarding their cross-selling ratios and the likelihood to recommend. In order to reflect more detail on the results discussed above, the Chi-square results for each business segment are presented in Table 6.9. Although the Chi-square test indicated an association between customers with reference to their cross-selling ratios and the likelihood to recommend, the researcher wanted to investigate in more detail; and therefore the test for association was also done on each segment level.

Table 6.9: Chi-square results for likelihood to recommend and product usage per segment

Cross-selling: Small Business		Detractor (N)	Indifferent (N)	Promoter (N)	Row Total	Chi-square value	p-value
1	Frequency Row %	1702 26	1750 27	3017 47	6469		
2	Frequency Row %	931 28	960 29	1467 43	3358		
3	Frequency Row %	704 33	597 28	865 39	2166		
4	Frequency Row %	586 33	472 27	706 40	1764		
5	Frequency Row %	407 35	293 25	462 39	1162		
6 +	Frequency Row %	147 35	121 29	156 36	424		
Column total		4477	4193	6673	15 343		
Chi-square result						95.28	0.00
Cross-selling: Medium Business		**Detractor (N)**	**Indifferent (N)**	**Promoter (N)**	**Row Total**	**Chi-square value**	**p-value**
1	Frequency Row %	101 34	73 25	121 31	295		

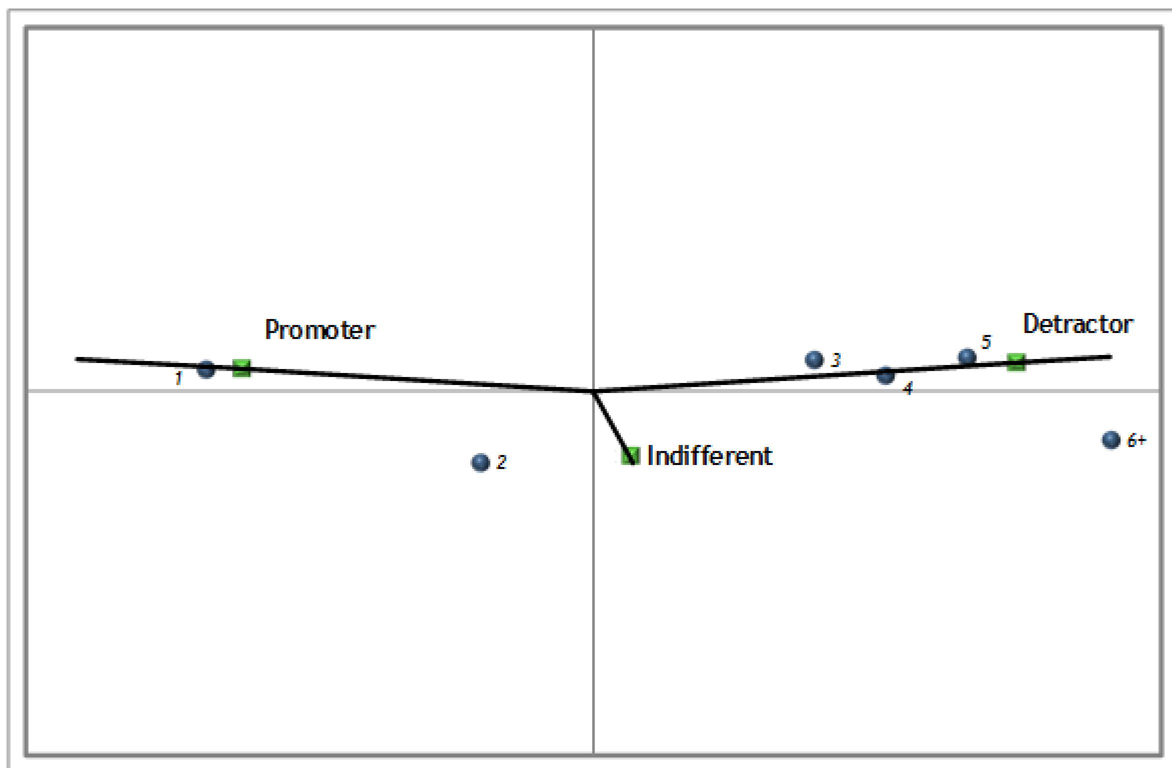
2	Frequency Row %	192 39	164 33	140 28	496		
3	Frequency Row %	314 41	198 26	246 33	758		
4	Frequency Row %	359 40	261 29	286 31	906		
5	Frequency Row %	357 40	254 28	290 32	901		
6 +	Frequency Row %	318 41	218 23	242 36	778		
Column total		1641	1168	1325	4134		
Chi-square result						19.85	0.03
Cross-sell: Large Business		**Detractor (N)**	**Indifferent (N)**	**Promoter (N)**	**Row Total**	**Chi-square value**	**p-value**
1	Frequency Row %	50 37	47 35	39 28	136		
2	Frequency Row %	44 34	45 35	41 31	130		
3	Frequency Row %	54 31	56 32	66 37	176		
4	Frequency Row %	58 34	58 34	55 32	171		
5	Frequency Row %	52 30	69 40	52 30	173		
6 +	Frequency Row %	95 32	102 35	98 33	295		
Column total		353	377	351	1081		
Chi-square result						5.58	0.85

As indicated by the p-values in Table 6.9, there is an association between product usage and the likelihood to recommend for two of the groups: small business and medium business. In both instances, the Chi-square value indicates an association (p<0.00) between the different segments. These two segments (small and medium business) support the hypothesis as set out in

H_{6a}. It can, therefore, be stated that there is an association between product usage and the likelihood to recommend in the segments of small business, and those of medium business. In the large business segment, the Chi-square value is 5.58, $p<0.85$ indicating that the number of products used and the likelihood to recommend are independent.

Figure 6.8 reflects the correspondence map of the net promoter score grouping for all the business segments.

Figure 6.8: Correspondence map of the net promoter score product grouping

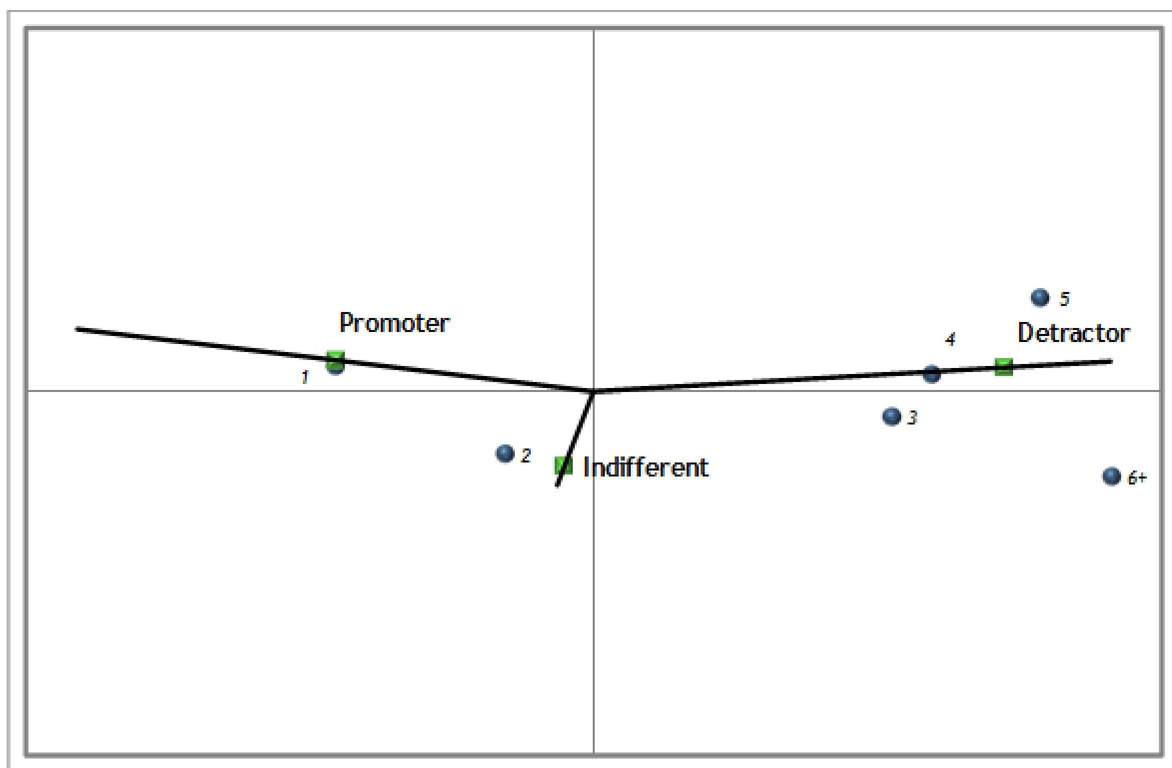


The correspondence map set out in Figure 6.8 reflects that the dependence is in the opposite direction, as expected. In this map, customers with a product usage of one banking product or service were considered “Promoters” and are closely associated. The grouping differs substantially from “Detractors” (product usage of three, four, five and six products). Because the dots lie far from the centre of the map, this indicates that these variables are considered to be closely associated. Results from this map

are in contrast with what is expected; and they have therefore to be investigated separately, in order to gain more insight.

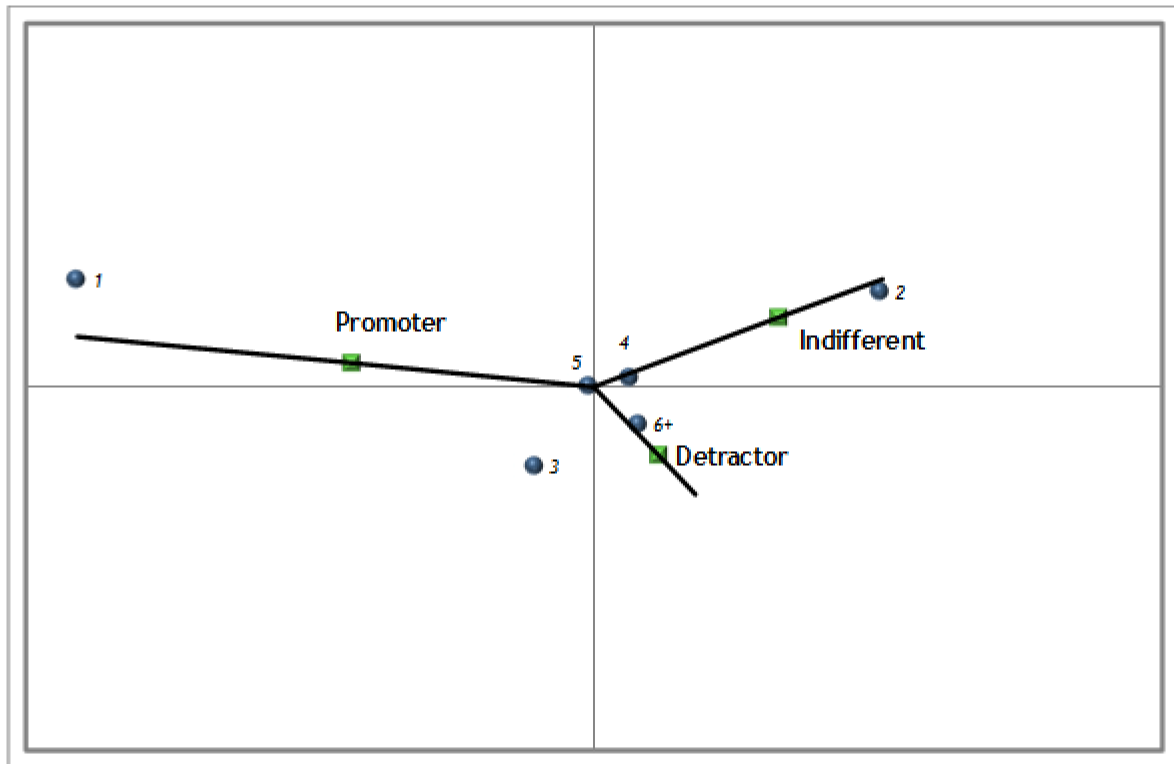
Figure 6.9 provides insight on net promoter score and product usage for small business segment customers.

Figure 6.9: Correspondence map of the net promoter score product grouping: Small business segment customers



The correspondence map (Figure 6.9) indicates that small business respondents mirror the correspondence map of the combined segment grouping. The only noticeable difference being the net promoter/one product grouping being closer to the centre of the map, indicating that the association is not as strong as the one presented in Figure 6.8. Figure 6.10 reflects the correspondence map of the net promoter score grouping for medium business segment customers.

Figure 6.10: Correspondence map of the net promoter score product grouping: medium business segment customers



When comparing Figure 6.8 with Figure 6.10, the latter indicates a contraction in promoter and single-product variables. Product usage of three, four, five and six are closely associated with "Detractor", but lie near the centre of the map, and are therefore, not considered as differentiating. Angles between the vectors represent correlations between attributes; the larger the angles, the more uncorrelated the attributes will be.

The groupings around "Indifferent" and "Detractor" have not only changed angles, but have also opened up the angle – meaning that they are becoming more un-correlated.

There was no association between the likelihood to recommend and product usage for large business segment customers; and therefore, no correspondence map was needed.

Taking into account all the results presented, the null hypothesis was rejected, as there is support for H_{6a}. **T**here is thus an association between cross-selling and the likelihood to recommend.

Secondly, it was hypothesised that:

H_{6b}: There is a significant difference in the cross-selling ratios between the small, medium and large business segments' likelihood to recommend their bank

The abovementioned hypothesis includes a comparison between three groups, namely: small business segment customers, medium business segment customers and large business segment customers. The classification for these different groups has already been discussed. In order to test Hypothesis H_{6b}, a two-way analysis of variance (ANOVA testing) was used. With regard to ANOVA's assumptions, the Kolmogorov-Smirnov test indicated a value of $p<0.00$ (F-value: 3.76) confirming that the assumptions for this test were not met. Again, the N value per cell was fairly large; and a decision was made to continue with the ANOVA test. The two-way ANOVA was conducted using the number of products as the independent variable, and the segment and satisfaction levels as the dependent variables. **The ANOVA test result showed a statistically significant interaction effect between the segments and the recommendation groupings, $F(4, 205) = 3.76$, $p<0.00$. Thus, Hypothesis 6 was supported.** Table 6.10 presents the post-hoc test results to indicate where these differences occur.

Table 6.10: Post-hoc test results for segments' likelihood to recommend and product usage

Segment		**Small Business**			**Medium Business**			**Large Business**			**Mean**
	Satisfaction	Detractor	Indifferent	Promoter	Detractor	Indifferent	Promoter	Detractor	Indifferent	Promoter	
Small Business	Detractor		**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	2.45
	Indifferent	**0.00**		0.44	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	2.19
	Promoter	**0.00**	0.44		**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	2.28
Medium Business	Detractor	**0.00**	**0.00**	**0.00**		0.99	0.98	1.00	0.99	0.99	4.09
	Indifferent	**0.00**	**0.00**	**0.00**	0.99		0.99	0.99	0.97	0.97	4.18

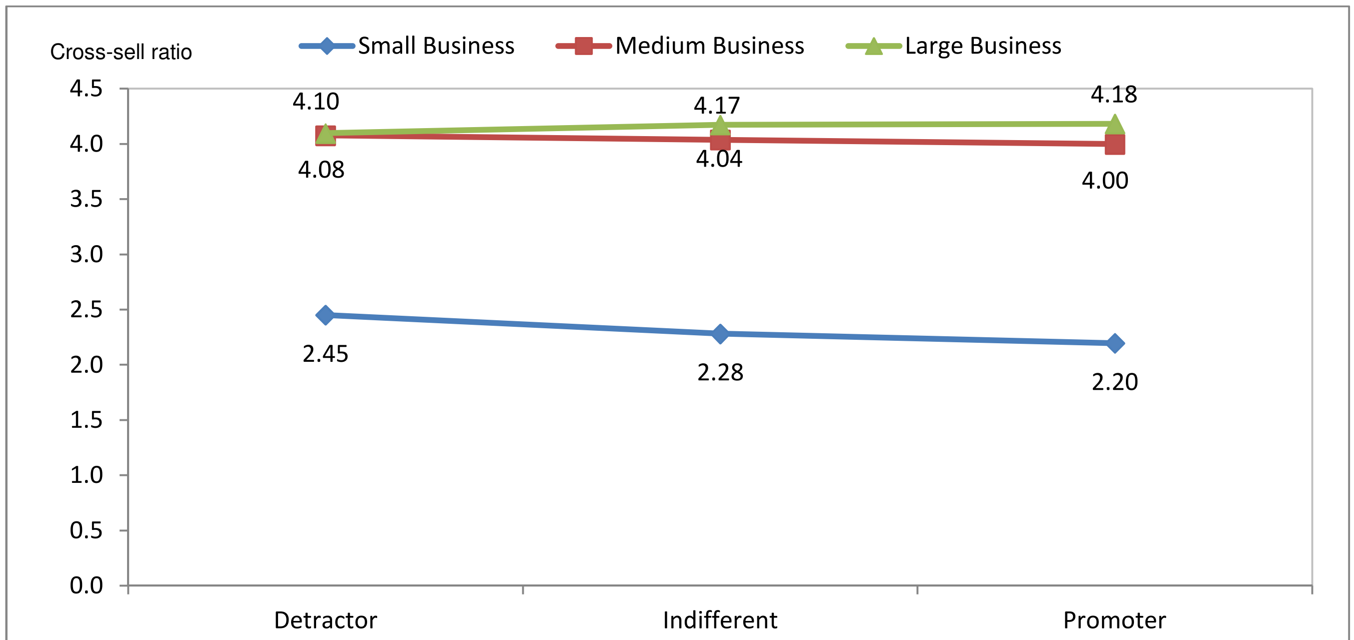
Segment		Small Business			Medium Business			Large Business			Mean
	Promoter	**0.00**	**0.00**	**0.00**	0.98	0.99		0.99	0.88	0.86	4.17
Large Business	Detractor	**0.00**	**0.00**	**0.00**	1.00	0.99	0.99		0.99	0.99	4.17
	Indifferent	**0.00**	**0.00**	**0.00**	0.99	0.97	0.88	0.99		1.00	3.99
	Promoter	**0.00**	**0.00**	**0.00**	0.99	0.97	0.86	0.99	1.00		4.03

Table 6.10 shows significant differences between small with both medium and large business segments on all the likelihood to recommend levels. With reference to small business: there exists a significant difference between classification of “Detractor” and that of “Promoter”, as well as “Detractor” and “Indifferent” respondents.

The abovementioned findings are also reflected in the interactive graph depicted in Figure 6.11. Interactive graphs allow for graphic imaging of multiple data points on one figure to better explain the interactivity of the data. Figure 6.11 summarises the comparison between the likelihood to recommend and product usage per segment. In the figure, it is illustrated with regard to the “Detractors”. Small business had the lowest cross-selling ratio of 2.45, with medium business at 4.08, and large business at a level of 4.10.

In the “Indifferent” classification, large business had the highest cross-selling with 4.17, followed by medium business at 4.04, and then small business at 2.28. In the classification “Promoter”, small business had the lowest cross-selling at 2.20, medium business at 4.00, and large business again the highest at a level of 4.18.

Figure 6.11: Comparison of likelihood to recommend and cross-selling ratio per segment



From the overall findings it may be concluded that there is a significant difference in the cross-selling ratios between the small, medium and large business segments' likelihood to recommend their bank. Finally, another hypothesis was developed with regard to the likelihood to recommend and will be discussed below.

H_{6c}: There is a significant difference between small, medium and large business segments and their likelihood to recommend their bank

Table 6.11 presents the ANOVA results, including the Scheffé *post hoc* test results.

Table 6.11: ANOVA results for likelihood to recommend

Segment	Likelihood to recommend	F-value	p-value
Small business	75.00[a]		
Medium Business	68.20[a]		
Large Business	72.50[a]		
Wilks' Lambda		2.21	0.00

Table 6.11 reports a significant difference between the groups tested, with a Wilks-Lambda value indicating a significant difference (F-value 2.21, p< 0.00) between the different segments in terms of their likelihood to recommend. There is thus support for H_{6c}. From the Scheffè *post hoc* tests in Table 6.11 it can be observed that:

- There is a significant difference between small, medium and large business segments with reference to their likelihood to recommend their bank;
- Small business segment customers and large business segment customers have a significant difference in their likelihood to recommend their bank, with small business being more likely to recommend (75.00); and
- Large business-segment customers and medium business-segment customers differ significantly in their likelihood to recommend, with medium business at the lowest level (68.20), and large business at the higher level (72.50).

Figure 6.12 reflects the comparison of likelihood to recommend per segment as discussed above.

Figure 6.12: Comparison of likelihood to recommend per segment

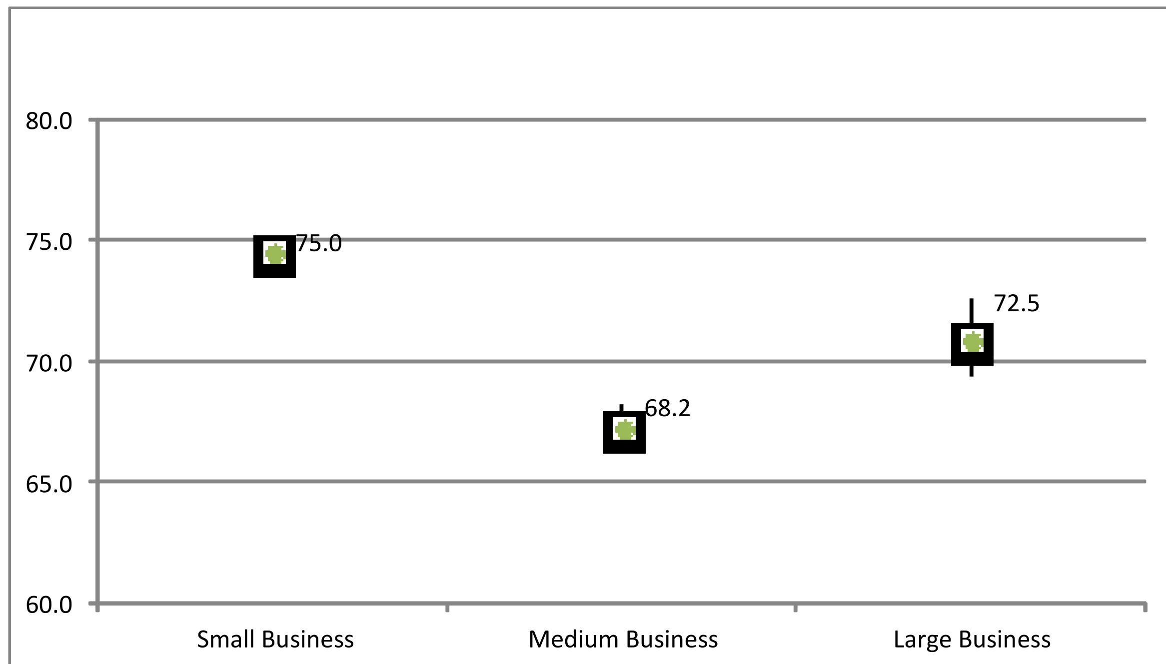


Figure 6.12 illustrates that medium business segment customers experienced the lowest likelihood to recommend (68.20), and small business segment customers the highest likelihood to recommend (75.00). From the results presented above, it can thus be stated that there exists a significance difference between the small business segment, medium business segment and the large business segment customers with reference to their likelihood to recommend their bank.

6.5.7 Research objective 7

Research objective 7 addresses the issue whether customers with longer relationships have a higher likelihood to recommend their bank. The question arises if there is any association between the length of a customer's bank relationship and the cross-sell ratios of the customer. Reinhartz, Thomas & Bascoul (2008:6) state that cross-selling is an antecedent of loyalty measured by the length of a relationship. Verhoef *et al.* (2002:214) found that the impact for satisfaction and commitment on cross-selling is stronger for longer relationships. It is therefore hypothesised that:

H_7: There is an association between the length of a customer's relationship with the bank and his/her likelihood to recommend the bank

Table 6.12 presents the Chi-square results for the abovementioned hypothesis.

Table 6.12: Chi-square results for likelihood to recommend and length of relationship

Length of relationship		Detractor (N)	Indifferent (N)	Promoter (N)	Row Total	Chi-square value	p-value
1 to 5 years	Frequency Row %	1791 29	1695 27	2722 44	6208		
6 to 10 years	Frequency Row %	2558 33	2063 27	3071 40	7692		
11 to 15 years	Frequency Row %	1281 34	1087 23	1437 43	3805		
16 to 21 years	Frequency Row %	490 31	498 32	592 37	1580		
Column total		6120	5343	7822	19 285		
Chi-square result						66.81	0.00

As indicated in Table 6.12, there is an association between the groups tested. The Chi-square value indicates an association (66.81, p<0.00) between different likelihoods to recommend groupings and the length of the relationship. The null hypothesis was thus rejected in favour of H_7. It can, therefore, be stated that there is an association between the length of a customer's relationship and his/her likelihood to recommend the bank to others.

6.6 SUMMARY

This chapter analysed and reported the results of the study. Firstly, the response rate was presented, whereafter the descriptive statistics were reported. The results of all the research objectives were outlined by focusing on the different segments within business, cross-selling ratios (cross-selling), satisfaction levels experienced, length of relationship, as well as likelihood to recommend.

The analysis indicated that the satisfaction measurement scale used in the study was reliable and valid. The results were presented, according to the formulated hypotheses and the research objectives. The various sections concluded with a discussion on the outcome of each hypothesis test with relevant graphical representation, where appropriate. The results reported in this chapter may be of importance to bankers and sales managers when planning their CRM and cross-selling strategies.

The next and final chapter, Chapter 7, will draw conclusions and make recommendations based on the main findings presented in this chapter.

CHAPTER 7

CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

7.1 INTRODUCTION

In the previous chapter, the research results were discussed. In this final chapter, interpretations are made – based on the empirical results presented in Chapter 6. Chapter 7 will recapitulate the main findings from the previous chapter, and draw the conclusions. Thereafter, the implications of each main set of findings on satisfaction and cross-selling are discussed and recommendations will be made. The limitations of the study are also highlighted and recommendations for future research are suggested. The chapter concludes with a retrospective evaluation of the research results obtained for each of the formulated objectives, as stated in Chapter 1, in order to determine whether each objective was realised.

References to the theoretical chapters will also be made – with respect to supporting or differing from the results of previous studies.

7.2 THE MAIN FINDINGS RELATING TO CUSTOMER SATISFACTION

This study has attempted to determine the role of customer relationship management (CRM) in satisfaction and cross-selling in business banking. It has become very important for banks to cultivate a relationship with their customers should they want to increase their wallet share of existing customers. From the findings, it became clear that banks will have to review their client-service strategies, as well as the way in which income is generated from clients.

The main findings of the study attempt to provide information to aid managers in the banking sector. These findings will be briefly discussed below. The findings

discussed below are applicable to satisfaction, but also to the likelihood to recommend their bank services, as they are related to satisfaction.

7.2.1 Conclusions regarding the main findings with regard to customer satisfaction

This study has attempted to determine whether customers from small, medium and large businesses experience different levels of customer satisfaction. Based on the bank in scope's customer model, small, medium and large business customers are divided into separate banking segments that operate with different CRM structures. These structures differ with regard to staff complement and operating processes, as well as operating costs – to serve the customers in these segments. The question arises: Do customers serviced through different CRM processes experience different levels of satisfaction?

The results indicate that a significant difference exists between the different segments in terms of the level of satisfaction experienced. This agrees with the findings of Parvatiyar and Sheth (2001:11), who found that CRM applies decisions regarding activities of a company with respect to a specific group of customers (segments) with whom they engage, in a collaborative relationship, resulting thereby in customer satisfaction.

Small business-segment customers showed the highest levels of satisfaction, while medium business-segment customers experienced the lowest levels of satisfaction. It could be suggested that small business customers have less complex businesses, need fewer products, and are therefore easier to satisfy.

It was stated that customers that have higher levels of satisfaction with their service providers, have longer relationships with such providers; while customers with longer exposure to companies who keep them satisfied have stronger relationships (Reinartz & Kumar, 2000:17). Thus, one would expect that the segments exposed to a longer period of CRM would be more easily satisfied. This study's findings

confirmed this, as there is an association between the length of a customer's relationship with the bank in scope and his/her level of satisfaction.

In all three levels of satisfaction (failure, moderate and excellent) that were tested over all the different time periods, the satisfaction levels constantly increased over time. This supports the notion that customers with longer relationships with their banks experience higher levels of satisfaction – in line with the findings of Bolton and Lemon (1999:175), who found that satisfaction has a positive impact on relationship duration, and on the income stream of the customer.

This study's findings further revealed that there is a significant difference between the satisfaction levels and the length of relationship of groups or segments tested. Small business-segment customers in the category "1 to 5 years" and those of small business-segment customers in the category "6 to 10 years" differed significantly. Customers in the "1 to 5 year" category are more satisfied (at a level of 81.17) when compared with the period of 6 to 10 years (at a level of 80.68).

This is unexpected, as previous results in this study indicated that segments as a whole reflect higher levels of satisfaction over longer periods of the relationship. The main findings also suggest that small and medium businesses differ significantly between the satisfaction levels in the category of "6 to 10 years". Small business segment customers have higher satisfaction levels (80.68) than those of medium businesses (76.63), which is in contrast to what is expected, because medium-segment customers are exposed to a more advanced CRM process than those of small businesses.

This could be due to small business-segment customers having less volume and complexity in transactions than those of medium and large business-segment customers. The results discussed in the before-mentioned section are also applicable to the category "11 to 15 years" (81.43); while those of customers in the category "6 to 10 years" (76.63), were small business-segment customers; and these were more satisfied than medium business customers. The trend of small business with superior satisfaction levels continued in the following time periods of small

business: "16 to 21 years"; medium business customers in the category: "6 to 10 years"; small business segment customers in the category: "16 to 21 years"; and those of medium business-segment customers in the category "11 to 15 years". These results of the combined segments are in line with the findings of Walker, (2010:31), who stated that customers that have higher levels of satisfaction with their service providers have longer relationships with these companies; while customers with longer exposure to companies who are satisfied, have stronger relationships.

Significant differences were found between small, medium and large business segments, and their likelihood to recommend their bank. These findings concur with the findings of Kohn, Hacker, Rouselle and Gold (2012:21), who found differences in the likelihood to recommend within the different categories of customers. Small business-segment customers are more likely to recommend their bank (NPS score of 75) than large business-segment customers (with an NPS score of 72.50); while medium business-segment customers (NPS score of 68.20) are the least likely to recommend their bank compared with large business-segment customers (72.50).

It may be concluded that medium business-segment customers are the least likely to recommend their bank; while small business-segment customers are the most likely to recommend their banks' services.

The findings regarding customers with longer relationships and the likelihood to recommend their bank indicate an association between different levels of likelihood to recommend groupings and the length of their relationship with their bank. In all four categories of length of relationship, the "Promoters" surpassed the "Detractors" – thereby indicating that as relationships progress, customers are more likely to recommend their bank. This supports the findings of Verhoef (2003:43) and those of Mohano Rao, (2011:419) that customer service provided over a period of time influences customers, leading to customer satisfaction and increased sales; and therefore, satisfied customers are more likely to recommend a company to their friends and colleagues.

7.2.2 Implications of the main findings with regard to customer satisfaction

Understanding the importance of satisfaction experienced by customers could assist banks to understand their customers' needs better, especially given the competitive market. The findings do not only have implications for companies' service levels, but also suggest possible changes that could be made with reference to the structure of the CRM processes, by following the same CRM processes of medium and large business – to be aligned with those of small business.

The findings could also impact on banks' income levels – by influencing the manner in which the cross-selling of products should be done. For instance, the cross-selling process of large business should be implemented in small and medium business segments. However, small business-segment customers, who are served through the most basic CRM process, experienced the highest level of satisfaction. This raises the question of whether the more expensive CRM process of medium and large business are truly cost effective. The more costly CRM processes (medium and large business) do not seem to deliver exponentially higher satisfaction levels.

When considering the satisfaction levels of all business-bank customers, it was found that there is an association between the satisfaction experienced and the length of the relationship. For this study, the duration of the bank-customer relationship depends on the customers' service experience of their relationship manager or the bank in scope. Service encounters are potential relationship "landmines", as customers are very sensitive to the service experienced. Customers who value exceptional service delivery are less likely to react by ending the relationship and moving to another bank.

Researchers have reported that dissatisfaction with service delivery is a major source of customer loss; and this should therefore be an area of focus for management. When analysing the different segments with relation to the length of their relationship and the satisfaction levels, a significant difference between these segments was found to exist. It was noticeable that small business customers, at all lengths of relationship, had the highest satisfaction ratings, and well in excess of the

other segments. It would be beneficial to management to explore the CRM process of small businesses and detect the reasons why this segment outperforms the other two, irrespective of the length of the relationship with the bank in scope.

The results indicated that there is a significant difference between small, medium and large business segments with reference to their likelihood to recommend their banks. The extent to which customers in each of the segments would recommend their bank differs. Again, and in line with previous results from other studies, small business customers were the highest net "Promoters". Management has to determine the reasons why small business customers are net "Promoters", in order to duplicate the success factors with the other segments.

Creating customer satisfaction in order to get customers to be net "Promoters" is likely to be dependent on the customisation of the CRM process. This might be costly for the bank in scope to standardise all processes simultaneously. Therefore, it is important to accurately assess how investments in creating these changes within CRM would be executed.

From the results, it is evident that customers who have longer relationships with their bank are more likely to recommend their bank than customers with shorter relationships. Customers' expectations should not only be met, but should be exceeded, in order to create net "Promoters". The path to sustainable and profitable growth begins with creating more "Promoters", and reducing the "Detractors". This process starts with making the net promoter score transparent and well-known throughout the bank by up-skilling all front-end staff on the value and importance of recommending their bank. The key when using the likelihood to recommend (through the net promoter score) is to apply it as a precise, customised methodology that identifies simple, actionable solutions, which are user friendly to all the staff.

When management is faced with numerous improvement initiatives and a limited budget, it is imperative that solutions should reduce the risks inherent in difficult decision-making, and produce the best returns possible. In the light of the above-

mentioned findings, there must be a focus on the actions that prohibit customers from being net “Promoters” by increasing the level of satisfaction experienced.

7.2.3 Recommendations with regard to customer satisfaction

Recommendations regarding customer satisfaction mainly relate to the statements that were measured in this study. While many companies (including banks) spend the majority of their resources on acquisition-related marketing, the service-related literature clearly illustrates the value of investing in customer relationship building and retention through CRM. It is advisable that customer satisfaction be analysed, in order to determine the service experienced by customers – with the aim of identifying business opportunities on an ongoing basis.

After service delivery, customer-service experience and satisfaction should be measured to determine whether the customers’ expectations were met, failed or exceeded – in, order to build strong customer relationships.

7.2.3.1 Recommendations with regard to segmentation and customer satisfaction

Based on the findings, it is suggested that the CRM process followed by the small business segment be structurally analysed and compared with that of medium and large business segments. The reason is that small business customers were more satisfied with the bank in scope and their relationship managers than the other segments. Although customers in the medium and large business segments were satisfied, the satisfaction levels of the small business customers exceeded those of the other two segments. There was a significant difference between satisfaction levels of small business customers and those of medium business customers.

There was no significant difference between the satisfaction levels of small business customers and large business customers, but the higher mean value of small business customers suggested that their processes are superior to those of the other two segments. It is important to analyse these processes, as the medium and large

segments follow more complex and costly processes than those of small business. In a CRM programme, a customer database exists that can be used to store information on the level of satisfaction experienced by customers in the different segments. It is proposed that the satisfaction levels of customers in the three different segments be measured on at least a monthly or quarterly basis, and be recorded in the database.

This measurement can be done on a company, segment and relationship-manager level; and they can be valuable when comparing CRM processes and relationship models.

It is advisable that individualised sales plans be prepared for customers of the different segments. Sales managers should ensure that these segment-marketing plans are implemented. Depending on the segment serviced, these plans could differ in complexity – due to the nature of the customers serviced, especially multinational customers who operate on a global platform.

One strategy banks could follow to keep customers satisfied, is to employ well-trained and qualified staff, in order to deliver exceptional service. The purpose of applying this strategy is not to discriminate against certain segments, but rather to take advantage and deliver better service to more valuable and profitable customers. As these customers form the top end of the business market, the potential for creating strong relationships and increasing revenue should outweigh the cost involved in implementing the suggested strategy.

Managers should aim at reducing incidents that provoke customers. Customers who value the delivery of good services would be more satisfied; and they are less likely to react to a perceived loss by exiting the relationship.

7.2.3.2 Recommendations with regard to the length of relationship and customer satisfaction

Given the interaction effect of relationship duration and the satisfaction experienced

over the period OF 2009 – 2011, managers should focus on creating more trust with customers with shorter relationships, especially relating to their bank and relationship managers. It is proposed that banks and their relationship managers should demonstrate that they can be trusted – especially in the early stages of the relationship – by ensuring that they fulfil all the promises made to customers. Banks could also follow a pro-active relations strategy, where staff are trained and encouraged to deliver positive customer experiences early in the relationship in a consistent fashion.

A managerial option that has to be explored is the conversion of short-term customers into long-term customers. The impact of lengthening customer relationships, and the influence this has on the diversity of income and customer-lifetime value has been debated in this thesis. Converting short-term customers into long-term customers is possible through cross-selling products, and by making use of loyalty programmes. These programmes can be driven by providing customers with additional benefits, or giving discount on bank charges if certain milestones (like length of relationship) are achieved.

The construct of customer retention should include long-term measurement of performance to ensure optimal service delivery. Although it is more costly and difficult to monitor, the creation and storage of longitudinal data remains a priority. Longitudinal data would provide more detailed insight over time, and would enable banks to identify trends, or to spot areas of concern on a geographical, industrial or sector basis. By using the longitudinal-satisfaction data, managers might be able to better predict what impact service-related issues would have on customer-bank relationships – and hence, on the length of the relationships.

Relationship bonding is a key strategic issue for bankers, in order to establish long-term relationships with their customers. For the reasons mentioned, managers have to monitor the behaviour of staff to determine if they actively strive to create these long-term relationships. Banks would have to determine the need for staff training, and to develop training programmes to assist and improve employees' understanding of the activities required in developing long-term relationships.

7.2.3.3 Recommendations with regard to satisfaction and the likelihood to recommend

Small and large business-segment customers differed significantly with regard to their likelihood to recommend. These two segments also reflected the highest likelihood to recommend scores between the three segments – with small business having the highest score (75). It is recommended that the reasons for the net promoting of these two segments be determined. By extracting the reasons for net promoting, management might enable other segments, such as medium business to be in the same position. It might also put the bank in scope in a position to re-segment some of their customers into more appropriate segments.

Customer complaints should be encouraged by management. Receiving complaints by customers would provide management with valuable information about process delivery and other issues. Resolving these issues should assist in the customer-satisfaction process. Only a failure to seek and address customer complaints, rather than the complaints themselves, could hurt a company's bottom line, and prevent customers from promoting their bank. Management should focus on building long-term relationships with their customers, as customers who have long and productive relationships with their banks are likely to recommend their bank.

Collecting the data allows managers to understand – not only the overall satisfaction score – but also the drivers of that these scores. Using single-loyalty questions (NPS) and tracking a single-loyalty metric is quick, simple, and easy to manage when considering a sustainable measurement of recommendation. The key to a customer-feedback measurement is the ability of managers – not only to see and understand the direction of this likelihood to recommend feedback – but also their ability to move the staff and customers in the desired direction.

It is advisable that managers actively use the information gathered from the likelihood to recommend ratings to determine where the areas of concern in their business exist, and to address these issues with urgency. It is further recommended

that the likelihood to recommend be used in a "tell-a-friend campaign", where word-of-mouth is used to increase the customer base.

7.3 THE MAIN FINDINGS RELATING TO CROSS-SELLING

Cross-selling is one of the main tools used by managers to build stronger relationships between customers and their bank. The acquisition of additional products by existing customers should assist companies to gain more experience of their customers' preferences and buying behaviour, thereby enhancing their ability to satisfy customers' needs and increasing the switching cost and exit barriers to the customer. As indicated earlier in the study, it is more expensive to acquire a new customer than it is to retain an existing one.

It is clear that one of the main focus areas of CRM is that of cross-selling, thereby increasing the share-of-wallet of each individual customer. The main findings of the study regarding cross-selling are listed below; and the aim is to provide information to relationship and bank managers, in order to make more informed decisions, to assist in strategic planning, and the development of CRM strategies.

7.3.1 Conclusions with regard to the main findings on cross-selling

This study's findings revealed several significant differences with regard to the level of satisfaction experienced and cross-selling behaviour. There exists a significant difference between small and medium business, and small and large customers on all levels of satisfaction measured. Small business customers were the most satisfied; while medium business-segment customers were the least of all three segments, when it comes to satisfaction levels.

When considering the different satisfaction ratings, the small business-segment customers in the classification "Failure" had the lowest cross-selling ratios; medium business-segment customers ranked second; and large business-segment customers showed the highest cross-selling ratios. With regard to "Moderate"

satisfaction experienced, small business segment customers again displayed the lowest cross-selling ratios; while medium and large business segments shared the highest cross-selling ratios. For the “Excellence” small business group (as in both the previous cases) the lowest cross-selling ratios were reflected, with large business having the highest cross-selling ratios. It may, therefore, be concluded that small business customers who use less products, are more satisfied than customers who use more products.

One perspective on this may be that the fewer products used, the less things can go wrong – leading thereby to satisfaction. Another perspective might be that small business customers are less complex by nature; they need less products; and are more easily satisfied – due to less contact with their bank. In the medium business-segment, customers who are the most satisfied use the same number of products as those who are the least satisfied, indicating that satisfying needs does not necessitate more products in this segment.

In the large business segment, it was found that the higher the satisfaction level, the more products were used. From these results, it may be concluded that small business-segment customers use less products at higher levels of satisfaction. While medium and large business-segment customers both increase their product usage as their satisfaction increases. These results are in line with the findings of Liu and Wu (2008:507), who presented empirical evidence to support the argument that satisfaction has an effect on the cross-selling of products.

This study has attempted to determine whether the segments serviced through higher levels of CRM resulted in higher levels of cross-selling. It would be beneficial for managers to know whether the customers serviced through different levels of CRM resulted in different cross-selling ratios. Companies rate their customers in different categories; and in those cases where they have high investment on less valuable customers, companies are wasting critical resources, and are missing opportunities for growth and profitability. The results showed that there is a significant difference between the groups with reference to their cross-selling ratios.

Small business-segment customers had the lowest cross-selling ratios of all three segments; and they also differed significantly from large business, as well as from medium business. This is a surprise because small business-segment customers need less products than the other segments. Large business-segment customers had the highest cross-selling ratios of all three segments. As the CRM process intensifies and broadens from small to large business, the cross-selling ratios also increase consistently – from the small business segments to the large business segments.

This indicates that the CRM process, as implemented by the bank in scope, delivers the required results with reference to the cross-selling of products. These results support the findings of Reinhartz, Thomas and Bascoul (2008:5); they investigated the direction, strength and nature of the relationship between customers' cross-buying behaviour and their associated behavioural outcomes. They concluded that affinity or loyalty preceeds cross-buying, and that companies that want to sell across product or service categories, should focus on selling to the right customers (segments).

This also supports the view of Deshmukh (2012:5), who found that for banks to cross-sell, a high level of process customisation is needed in their CRM processes.

For this study, the cross-selling ratios of medium and large business are almost identical; but they are substantially higher than those of small business. This implies that the CRM processes followed in medium and large business are more successful with regard to the cross-selling process than those of small business, but not so successful in increasing satisfaction or the likelihood to recommend.

The study also aimed to determine whether the customers exposed to CRM over longer periods of time result in higher levels of cross-selling. From the results, it was concluded that there is an association between the segments with reference to the length of relationship and the satisfaction levels; and there also exists an association between the length of relationship and cross-selling ratios. The above-mentioned findings indicated that longer relationships result in higher levels of cross-selling

ratios. The results also indicated that cross-selling in the relationship period of 1 to 5 years differs from product usage of relationship periods of above 5 years. All cross-selling ratios, except that of 1 product in the time period to 5 years, are considered to be closely associated. These findings concur with Reinhartz, Thomas and Bascoul (2008:6) who found that cross-selling is an antecedent of loyalty, and is clearly reflected by the length of a relationship.

Verhoef *et al.* (2002:214) also reported that the impact for satisfaction and commitment on cross-selling is stronger for longer relationships. It is, therefore, recommended that the emphasis be placed on lengthening the existing relationships, and the cross-selling of these relationships over time.

The study further aimed to determine whether customers recommend their financial institution – based on their levels of satisfaction experienced and the products used. The question arises: Are customers, who are net "Promoters", likely to buy more products? Or, are customers with high cross-selling ratios more likely to recommend their bank than customers with low cross-selling ratios? The results indicated that an association exists between customers – regarding their cross-selling ratios and the likelihood to recommend. This is in line with the findings of Brooks and Owen (2008:334), who stated that net "Promoters" are likely to buy more products.

When analysing the likelihood to recommend and the cross-selling of the sample for all business customers, it became evident that there is an association between the likelihood to recommend and cross-selling. If the results are broken down to segment level, certain trends emerge. There is an association between product usage and the likelihood to recommend for small and medium business. However, in the large business segment, the number of products used and the likelihood to recommend are independent. Customers with a cross-selling ratio of one were considered "Promoters", and were closely associated.

The "Promoter" grouping differs substantially from that of the "Detractors" (product usage of three, four, five and six products), who were all closely associated. This suggests that the more customers use products, the less likely they are to be

"Promoters" of the bank in scope. The results found that in line with statements by Reichheld (2003:48), customers who are satisfied and loyal would buy more products and promote the company to other customers.

During this study, the researcher tried to determine whether a higher likelihood to recommend within segments would show higher levels of cross-selling. The results indicate a significant difference between the different segments with regard to the likelihood to recommend and their cross-selling ratios. These findings support those of Liu and Wu (2008:498), who determined that satisfied customers support their financial institution, buy more products and promote the financial institution. There exists a significant difference between small and medium business on all the likelihood-to-recommend (NPS) levels, and also a significant difference between small and large business on all levels of the likelihood to recommend.

With reference to small business, there exists a significant difference between classifications of "Detractor" and that of "Promoter", as well as between "Detractor" and "Indifferent" respondents.

The results showed that large business customers have the highest cross-selling ratios of all three segments; and they are the only cross-selling ratios that increase when moving from "Detractor" to "Promoter". Both small business, as well as medium business segments, reflect a downward trend in cross-selling ratios when compared with the likelihood to recommend levels between "Detractor" and "Promoter". From the results, it was evident that although there exists a significant difference between the segments with reference to their likelihood to recommend levels, there was a very low increase in cross-selling ratios in segments when evaluated in terms of "Detractor", "Indifferent" or "Promoter".

7.3.2 Implications of the main findings with reference to cross-selling

In the process of trying to increase business activity and income, banks have come to realise that current customers are their best prospects for new or existing services. This is because it is easier for a bank to grow by cross-selling its services

to existing customers – than by attracting new customers. One of the main CRM tools for forging stronger relationships with customers is cross-selling. The rationale for cross-selling as a strategy for reducing customer defection is this: As a customer acquires additional services or products from a bank, the number of points where customer and bank connect, increases. This results in a higher switching cost to the customer, and in so doing increases the product usage and income levels for the bank.

The study aimed to determine whether segments with higher levels of satisfaction showed higher cross-selling behaviour. The results indicated that with the large business-segment customers cross-selling levels steadily increased, moving up as satisfaction levels increased. Small business-segment customers had a similar movement through the satisfaction levels, but in a different direction: in their case, downwards. Cross-selling in small business segments decreased, as satisfaction levels increased. Medium business-segment customers' cross-selling marginally increased from lower to higher satisfaction levels. From the results, it can be concluded that large business segments have the most promising results, as large business-segment customers increase their cross-selling as their satisfaction levels increase.

Medium business and small business-segment customers do not portray the same trend as those of large business. Banks and their managers have to analyse the reasons for the positive link between satisfaction and cross-selling in the large business segments, and then to introduce these processes to medium and small business. One reason for the higher cross-selling ratios and satisfaction levels in large business might be the higher level of CRM process, which would include more customer interaction. Thus, it might be worth implementing the CRM and cross-selling process used by large business into the other segments.

From the results, it was concluded that large business had by far the highest cross-sell ratios of all three segments. As increased product usage is linked to higher income levels, as well as the fact that it bonds the customer to the bank, it is increasingly important that banks duplicate the CRM process impacting on the cross-

selling process used in large business to those of small and medium business. The high cross-selling ratios of large business may be attributed to the more intensified CRM process followed by banks in this business segment. Banks have to seek new methods to cross-sell to new and existing customers, thereby offering solutions – and differentiating themselves from other financial institutions.

The results suggested that the longer the relationship between a bank and its customer lasts, the higher the possibility of the customer using more products, or of the bank cross-selling it products to customers. Product usage for all relationship periods longer than 6 years was considered to be closely associated, indicating that the longer the relationships lasted, the more the customer's behaviour across segments becomes similar. This is positive for the process of cross-selling, as it indicates that the longer the relationship lasts, the higher the possibility of cross-selling more products.

This could be due to the fact that customers tend to react positively to the prospect of using more products. Therefore, banks should try lengthening the duration of their relationships; and as a result, increase the cross-selling ratios of their customers during this period.

The concept of customer-based net "Promoters" has been discussed; and it has been in use for many years. Customers' likelihood to recommend a bank, brand, product or service, is commonly tracked by research practitioners, as one of many leading indicators of future customer choices to recommend their bank.

Considering the results regarding cross-selling and the likelihood to recommend, it seems that customers who have a high cross-selling ratio are more likely to recommend their bank. This presents banks with a huge opportunity, especially with reference to their existing customer base. As this result links cross-selling to the likelihood to recommend, it implies that banks should allocate substantial resources to cross-selling to the existing customer base. This would benefit banks in three ways: the first is an increase in income levels, as selling more and more products results in higher levels of income generated. The second would be that their

customers might recommend their bank to clients who do not currently bank with them, thereby increasing the acquisition of new customers. The third benefit is that by selling more products to customers, it reduces the risk of customers switching to other banks.

By tracking the net promoter score of customers over time, banks would be able to determine which customers constantly promote the bank, and who the “Detractors” are. Should the information be available on portfolio levels, it would assist managers to identify the customers who have service issues, and then to rectify those. The key to the ongoing measurement of the likelihood to recommend is to keep the question, and the measurement simple. This should ensure that customers keep on participating over a period of time.

For businesses to benefit from asking the likelihood to recommend question, it must be asked continuously, rather than annually or even quarterly, as a part of a continuous business-improvement programme. The posing of the question should be done when a customer has had an experience with the bank, in order to understand how that experience impacts the likelihood to recommend the bank (Reichheld, 2003:50). The other reason why banks should monitor the likelihood to recommend continuously is because of a change in the attitude of the customer base.

The results also indicated that there is a significant difference between the different segments, and their likelihood to recommend. Management must take note of the differences in likelihood to recommend and cross-selling between the different segments. Large business-segment customers presented the highest cross-selling ratio across the three levels of likelihood to recommend. Small business segment-customers' cross-selling ratio is substantially lower than that of medium business segments and large business segments.

The findings mentioned above also have implications for segmentation purposes, as differences in the likelihood to recommend would imply that the CRM process used in the different segments has to be changed. Different segments might need to be approached with different strategies for their specific needs concerning specific

satisfaction requirements. Management has to dissect the reasons why large business-segment customers' cross-selling ratios constantly increase, as their likelihood to recommend moves from "Detractor" to "Promoter".

In the cases where customers express such dissatisfaction that they refuse to advocate the bank, information has to be forwarded to customer care, in order to resolve all issues and improve the customer experience. More importantly, businesses must ask questions, specific to the experiences that trigger customers' satisfaction or dissatisfaction, in order to understand the rationale behind the answer to the question (Keiningham *et al.*, 2007:39).

For example: Why are people net "Promoters"? Why would they refuse to promote their bank? Management should try to identify the trends or correlations in answering the above-mentioned questions relating to the customer segments. The Net Promoter Score/likelihood to recommend should provide bankers with insight that keeps business performance on course, and proactively assists in rooting out dissatisfaction issues that might arise. From the results, it could be concluded that small business-segment customers who are satisfied, promote their bank and large business-segment customers who use more products also promote their bank.

In order to increase the likelihood to recommend in these two segments, managers must ensure that small business-segment customers are satisfied with the service they have received; and more products should be sold to large business-segment customers.

Lastly, the likelihood to recommend provides the bankers with a type of core customer index that many companies aim to include in their corporate score cards. This could be used to track customer satisfaction, but also to monitor the performance of staff working with customers across all the levels of segmentation.

7.3.3 Recommendations regarding cross-selling

Considering the bank in scope's detailed segmentation and national branch network, it is recommended that managers should try and exploit the existing opportunities to cross-sell bank and bank-related products. This can be done through their sales network by designing a clear and definite marketing-and-sales strategy. From a managerial perspective, this strategy should be aimed at increasing the awareness with staff (internal focus) and with customers (external focus).

This strategy should include a detailed advertising campaign informing customers of different products and opportunities. It would be very beneficial to include staff during this process, and to get them motivated to understand the importance of cross-selling.

It is recommended that extensive training be done amongst bank staff – to embody the process of cross-selling. Cross-selling needs to be incorporated in the banks' culture; and has to become part of doing business with their customers. For this to happen, management would have to be actively involved with the process of cross-selling, but more importantly with the tracking and measurement of cross-selling. It is further recommended that an incentive programme be developed, in order to motivate staff to cross-sell more products and services to existing and new customers.

If banks wish to increase their cross-selling of complex product categories, they could create advantages through comprehensive advice and detailed asset-allocation approaches. This means that customers would be evaluated more systematically, in order to determine their overall financial situation, their diversification requirements, and the risk-to-return appetite before selling more products. From the above-mentioned, it is imperative that training is needed for salespersons on the different products and services. It is proposed that cross-selling of products to customers be made a measurable component of employees' performance management.

The likelihood to recommend is a result of customers' interaction with their bank and its staff. It is, therefore, crucial that not only the likelihood to recommend be measured frequently, but also that employees be measured against the results of the measurement.

Length of relationship is important when considering cross-selling, and generating income from customers. In order to be successful in cross-selling, banks would have to consider customers' needs and wants over the lifespan of the relationship, and take the customers' life cycle into account when cross-selling. Sensitivity around customer segments is crucial for the success of cross-selling in banks, and marketing plans have to be drawn up with this in mind, if they are to be successful. It is recommended that customers within the large segment in all classifications of the likelihood to recommend be analysed, in order to determine the reasons for the stable increase in cross-selling ratios.

The usage of the net promoter score/likelihood to recommend is a strong tool for managers when dealing with cross-selling and generating income growth. When expressed in terms of a percentage, the likelihood to recommend serves as an aggregate loyalty metric for banks to track long-term products and income growth. In other words, companies that maintain higher net promoter scores also demonstrate higher growth rates; whereas those companies that maintain lower net promoter scores demonstrate lower growth rates.

This supports the fact that banks should measure likelihood to recommend on an ongoing basis, in order to support an income-growth strategy. Customers' willingness to recommend to a friend or business associate results from how well they are treated by sales staff, which in turn, is determined by all the functional areas that contribute to a customer's experience. In order to ensure the proper working of the likelihood to recommend, the results need to be owned and accepted by all of the business functions and units.

In conclusion, it can be stated that most companies operate under resource constraints, and would benefit from a targeted CRM and cross-selling approach

aimed at the most responsive consumers, leading to higher satisfaction, sales and increased income. This could only be successfully done through an effective CRM and cross-selling process, which requires that employees at all levels of the bank be involved.

7.4 THE ROLE OF MULTI-LEVEL CUSTOMER RELATIONSHIP MANAGEMENT IN SATISFACTION AND CROSS-SELLING

Considering the results of the study, certain observations were made regarding multi-level CRM, satisfaction (including the likelihood to recommend) and cross-selling in business banking. Business-bank segments serviced through different CRM processes experience different levels of satisfaction, implying that the CRM processes followed should be revisited. Small business-segment customers who are serviced through the least complex CRM process are the most satisfied.

When the satisfaction experienced by the segments is compared to cross-selling ratios, it seems that the two segments which operate on more complex CRM processes deliver higher cross-selling ratios at higher levels of satisfaction; while small business-segment customers have the lowest cross-selling ratios. From this scenario, it may be concluded that although small business-segment customers are more satisfied being serviced through a less complex CRM process, the higher level CRM processes, followed by medium and large business, result in higher cross-selling ratios.

The length of the relationship, and therefore the length of exposure to the different levels of CRM, produced results that were noteworthy. There exists an association between the length of relationship and the level of satisfaction in all the segments. The above-mentioned was indicated in the segmentation satisfaction results over the different time periods. As time passed, customers seemed to become more satisfied, although there were significant differences in satisfaction levels between the different segments over time. The longer the relationship, the more likely customers would be to recommend their bank.

It may be stated that longer relationships result in more satisfied customers, who were are more willing to recommend their bank, as time passes.

Cross-selling ratios also differed significantly between the business segments, with the large business presenting the highest cross-selling ratio, and small business the lowest cross-selling ratio. Although external factors, such as business size and complexity might impact on cross-selling ratios, it may be concluded the medium and large business segments that trade under more complex CRM processes than those of small business have higher cross-selling ratios. Thus, it could be that the CRM processes used in large segments are more conducive to cross-selling. There is also an association between the length of relationship and cross-selling ratios.

It may, therefore, be concluded that customers who are managed through a medium or large business CRM process present with higher cross-selling ratios over longer periods of time than those of small business customers. The longer the relationships last, the more products are sold to these customers.

The segments that differed in their likelihood to recommend and cross-selling ratios were serviced through different CRM processes. Small business-segment customers were the most willing to promote their bank, while medium business-segment customers were the least willing to promote their bank. An association was found between high cross-selling ratios and the likelihood to recommend their bank – when the three segments were combined. However, the large business segment measured as a separate group did not support this association. Although large segment customers had the highest cross-selling ratio they do not necessarily promote their bank.

With the above-mentioned statements in mind, it seems that business segments serviced through more complex structures do buy more products, but they would not necessarily promote their bank.

It was observed that customers who are serviced through the most basic CRM process are the most satisfied with their bank, and are also most likely to promote

their bank. Medium and large business-segment customers are less satisfied with their bank than small business-segment customers, but become more satisfied over time, and then buy more products as time passes. Although customers who are serviced though a small business CRM process are more satisfied than those serviced through the medium and large processes, the latter should result in higher cross-selling ratios with higher income being generated from these products.

7.5 LIMITATIONS OF THE STUDY

This study has attempted to make a contribution to the body of knowledge in the business-to-business market on the role of CRM in satisfaction and cross-selling in the South African business-banking sector. Specific limitations were evident in the literature review and the empirical phase of the study, and these should be noted.

7.5.1 The literature review

A number of limitations, based on the literature review of the study, could be identified, namely:

- The aim of the literature search was to include all relevant literature on the topic. It is conceived that some important empirical research on the wider topic of CRM may well have been done, but it was not yet documented in available literature. It is also possible that the literature mentioned above was not accessible, and therefore it was excluded. Literature could also have been overseen by the researcher, and therefore not included;

- Although substantial information could be found in the literature regarding the satisfaction experienced by bank customers, there is limited literature available on cross-selling within the specific banking segments studied;

- There is also limited literature available on the use of the likelihood to recommend in the South African banking sector; and

- Due to the lack of literature on the likelihood to recommend and cross-selling within South African banking, the theory relied strongly on literature from other countries.

7.5.2 The empirical study

A number of limitations should be highlighted, following the empirical research part of the study:

- Due to the nature of this study (data-mining using secondary sources), the dataset was limited to those respondents who had already been interviewed;

- The study was limited to the business-bank customers of one bank, thereby excluding customers from other banks and financial institutions;

- The study was limited to business-bank customers, thereby excluding individual (retail) customers, as well as corporate customers;

- The researcher did not collect the empirical data; consequently, some of the information needed to answer specific research objectives might not have been collected, and it was thus not available for analysis;

- Secondary data could have been collected (for example address and telephone numbers and other personal and transactional information), but were not available for the researcher to include in the analysis due to customer privacy agreements;

- Due to the availability of the customer data, this thesis the was limited to a three-year period only;

- The data that were used were not longitudinal by nature;

- The number of products used by each customer was also used as a proxy for the cross-selling ratios;

- There may be other factors than satisfaction and cross-selling that could have impacted on the different segments. These factors relate to the difference in size, the market in which the operation was conducted by the small, medium and large businesses, as well as the type and complexity of products used by the different segments; and

- There was no direct measurement of CRM, but rather satisfaction and cross-selling were measured as derivatives of the CRM process.

Despite these limitations, the findings from this study should provide guidance to banks on the role of CRM in satisfaction and cross-selling in the South African business-banking sector.

7.6 SUGGESTIONS FOR FUTURE RESEARCH

The following future research can be recommended:

- A similar study could be conducted with customers from other banks in South Africa – to determine whether there are any similarities with the main findings from this study;

- A similar study could be dedicated to determine the similarities or differences between South African business-banking customers and those of other developing countries;

- It could prove valuable to conduct in-depth research on the role of relationship managers and other customer-contact personnel in the establishment and maintenance of customer relationships;

- A future study could include a comparison between those customers who are loyal to their bank, and those who are not loyal, with special attention to switching costs;
- Literature on related aspects in cross-selling (for example, how to cross-sell effectively) within banking should be expanded by relevant research in South Africa;
- Researchers could develop a decision-support tool, enabling sales staff to decide which products to cross-sell – by incorporating the life cycle and the growth phase of the customer;
- It could prove valuable to conduct in-depth research on the role of compensation and the motivation of sales staff, in order to implement and sustain a successful cross-selling strategy;
- Other measures (than number of products) for cross-selling could be considered;
- Future studies could consider the effect size to determine the practical significance of the results, beyond that of statistical significance;
- Longitudinal studies tracking a customer as s/he moves through the life cycle with the bank;
- Future studies should focus on the antecedents of cross-selling; and
- This study did not measure CRM; future studies should measure the different levels of CRM pertaining to complexity.

7.7 EVALUATION OF THE OBJECTIVES SET VERSUS THE RESEARCH RESULTS

The results presented in Chapter 6 enabled the researcher to evaluate the research hypotheses and to address the formulated research objectives. In this section, the objectives of the study are compared with the outcomes of the research findings. Each of the seven objectives, as identified in Chapter 1 and Section 5.2, will be presented, after which the research results will be summarised to indicate whether the objective has been met, or not. This study has attempted to determine the role of different CRM processes in the level of satisfaction and cross-selling in business banking, by addressing nine research objectives.

The first research objective was to determine whether segments serviced through different CRM processes experience different levels of satisfaction. Based on the bank in scope's customer model, small, medium and large business customers are divided into separate banking segments that operate on different CRM structures. Significant differences were found between the segments with relation to satisfaction experienced. Small business customers experienced the highest level of satisfaction, followed by large and medium business. This objective has been met.

The second research objective was to ascertain whether segments with higher levels of satisfaction show higher cross-selling ratios. The results indicated an overall significant difference between the satisfaction levels of the different segments and their cross-selling ratios. When considering satisfaction between small and large business, there exists a significant difference between both these segments on all levels of satisfaction measured and their cross-selling ratios. For small business segments, there was a significant difference between excellence and failure, as well as between excellence and moderate rating respondents. This objective has been met.

The third objective was to investigate whether customers exposed to CRM over longer periods of time have higher levels of satisfaction. One would expect that those

segments exposed to a longer period of CRM would be more satisfied. The results confirmed the fact that there is an association between the length of a customer's relationship with the bank in scope and his/her level of satisfaction. A second question raised was whether there is any significant difference between segments in terms of the length of their bank relationship and their satisfaction levels. The results indicated that there is a significant difference between the satisfaction experienced by small and medium business customers in different lengths of relationship. There existed no difference between the small and medium segments and those of large business. The results, as discussed, satisfied the third objective.

The fourth objective was to determine whether segments serviced through higher levels of CRM result in higher levels of cross-selling. The results from the hypothesis testing indicated that there is a significant difference between small business-segment customers and medium business-segment customers with regard to their cross-selling ratios. Small business-segment customers had the lowest cross-selling ratios of all three segments, and they also differed significantly from the large-business segment, as well as from the medium-business segment.

The fifth objective was met by establishing whether customers exposed to CRM over longer periods of time resulted in higher levels of cross-selling. The results indicated an association between the length of the relationship and the cross-selling ratios. There also existed an association between customers using 1 or 2 products and the time period of 1 to 5 years. The cross-selling ratio of 3, 4, 5 and 6+ products were closer associated to the timeframes of 6 to 10 years, 11 to 15 years and 16 to 21 years.

The sixth objective was divided into three parts. In the first part, the question was raised whether customers with high cross-selling ratios are more likely to recommend their bank than customers with low cross-selling ratios. The results indicated an association between customers with reference to their cross-selling ratios and the likelihood to recommend. The second question raised was whether there exists a higher likelihood to recommend within segments that show higher levels of cross-selling. The results indicated that there exists a significant difference

between small and medium business in the likelihood-to-recommend levels. It was also concluded that there is a significant difference between small and large business on all levels of the likelihood to recommend.

With reference to small business, there existed a significant difference between classifications of “Detractor” and those of “Promoter”, as well as those of “Detractor” and “Indifferent” respondents. The final question attempted to determine whether certain segments were more likely to recommend their bank than were others. A significant difference was found between small, medium and large business segments with reference to their likelihood to recommend their bank. Small business-segment customers and large business-segment customers illustrated a significant difference in their likelihood to recommend their bank, with small business showing the higher likelihood of the two groups. Large business segment-customers and medium business-segment customers differed significantly on their likelihood to recommend, with small business being at the lowest level and large business at the highest level of the three segments. The objective was thus addressed by the results.

The seventh objective was to ascertain whether customers with a longer bank relationship have a greater likelihood to recommend the bank in scope. The question arose on whether there is any association between the length of a customer’s bank relationship and the cross-selling ratios of the customer. The test results indicated an association between the different likelihood-to-recommend groupings and the length of the relationship. This objective has, therefore, also been met.

7.8 SUMMARY

The research contributes to the information on the role of CRM in satisfaction and cross-selling in the South African business-banking sector. Banks and their management teams should act and use such information to a greater extent in future, because of the changing financial landscape, increased competition, and a difficult economic operating environment. It is, therefore, important for banks to understand the role that CRM plays in satisfying their customers, as well as the

possible influence it could have on cross-selling. The findings of this study have provided an understanding of the different business-bank segments' experiences and reactions to the CRM process followed by the bank in scope.

The results could be used for more effective planning and resource allocation and for creating optimal CRM structures and improving cross-selling. The findings and recommendations in this final chapter have contributed to a growing knowledge on banks in respect to CRM, satisfaction and cross-selling. In particular, the research adds to the understanding of the role of CRM in satisfaction and cross-selling in business banking within South Africa.

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APPENDIX A

Example Bank Customer-Satisfaction Measurements
Example Business Bank: Large/Medium Business RE

Introduction:

Good morning/afternoon Mr/Mrs…. My name is... (State your name & surname). I represent Example Research (Pty) Ltd. We were commissioned by Example Bank to evaluate your service experience with Example Business Bank. Your feedback will make a valuable contribution to ensure that customers receive the highest levels of service at all times. All information shared during this interview will be treated confidentially, and will be used for no other purpose than research. The interview will only take 10 minutes. Is it convenient to proceed with the interview now?

PLEASE NOTE THAT THIS INTERVIEW WILL BE RECORDED FOR QUALITY PURPOSES.

FRAUD ISSUE: (Scripting only used when respondent inquires about legitimacy or is reluctant to talk to us – based on the fear of fraudulent calls made to banking customers) May I assure you that Example Research is a registered reputable company that subscribes to the ethical code of conduct of the South African Marketing Research Association (SAMRA). At no time during this interview will I request any personalised banking details from you. Should you need further verification of the legitimacy of this study, please do not hesitate to contact: (alternative solutions depending on customer request) & my manager at Example Research: Mr Example on 012 123 4567 or 082 000 0000, or alternatively the project manager at Example Bank: ….

CALL-BACK ISSUE (Only to be used in event of the customer requesting to be called at another future time - PLEASE DO NOT PROMISE A SPECIFIC CALL-BACK TIME - DO NOT MAKE ANY CALL BACK APPOINTMENTS): Thank you for your willingness to be called at a more convenient time. I would like to advise you that although we may attempt to reach you at the requested time, we may be unable to call you back, as we may have reached the required number of allocated respondents – before it is possible to do the call back.

Third Disclaimer – Multiple Contacts

Thank you so much for your willingness to assist us in your last interview. We sincerely regret the inconvenience caused to you by calling you again. We do realise that you may have different accounts that are not always identified by a single customer record on our system for technical reasons, as has happened here, and will endeavour to prevent further inconvenience.

Section A: Screening questions

1. Before we continue, please could you confirm that you deal with Example Business Bank regularly or that you have dealt with Example Business Bank in the past 3 months.	
Yes - Continue	☐
No - Close interview	☐

2. Could you please confirm who your Relationship Executive is {read name from additional field}.	
If yes, continue with interview	☐
If no, who is your Relationship Executive? • If respondent can supply name from list of RE's – continue with interview; • If name not on RE list – terminate interview; • If respondent does not know – terminate interview.	☐

2. Have you been interviewed in any Example Bank survey in the last 4 weeks?	
Yes - Close interview	☐
No – Continue	☐

Section B - Statement Rating

The following list of statements indicates the quality of service and relationship that customers experience in dealing with an Example Business Bank Relationship Executive (RE). I will now read a few short statements to you, to which I would like your reply using a very simple scale. Please indicate on a scale ranging between MINUS 5 to PLUS 5, the degree to which your experience with your Example Business Bank RE exceeds or falls short of your expectations. If it compares much better than expected, please indicate this by selecting the number PLUS 5; and if it compares much worse than you expected, then

please indicate this by selecting the number MINUS 5. If your experience was neither more nor less than expected, then 0 is the number that must be selected. You may also indicate your experience with any number in-between MINUS 5 and PLUS 5. Please be sure to only rate your experience relating to Example Business Bank and NOT your general banking experience with Example Bank or other transactions you might have done with EXAMPLE BANK.

Please rate your Example Business Bank RE on:	Much worse than expected						Much better than expected					Don't Know
1. The frequency of contact with your RE	-5	-4	-3	-2	-1	0	1	2	3	4	5	DK
2. Your RE performing all requests accurately	-5	-4	-3	-2	-1	0	1	2	3	4	5	DK
3. Your RE being professional (in appearance and attitude)	-5	-4	-3	-2	-1	0	1	2	3	4	5	DK
4. Your RE going the extra mile to provide you with superior service	-5	-4	-3	-2	-1	0	1	2	3	4	5	DK
5. Your RE taking ownership of your problems/enquiries	-5	-4	-3	-2	-1	0	1	2	3	4	5	DK
6. Being enthusiastic about your business (Enthusiasm, Vibrancy, Passion, Attitude)	-5	-4	-3	-2	-1	0	1	2	3	4	5	DK
7. Consistently delivering on promises made to you	-5	-4	-3	-2	-1	0	1	2	3	4	5	DK
8. Your RE being proactive in meeting your business needs/offering business advice	-5	-4	-3	-2	-1	0	1	2	3	4	5	DK
9. Providing information regarding recommended products and services that was of benefit to you	-5	-4	-3	-2	-1	0	1	2	3	4	5	DK
10. Your RE showing an understanding of your business needs	-5	-4	-3	-2	-1	0	1	2	3	4	5	DK
11. Example Business Bank offering flexible solutions that suit your business requirements	-5	-4	-3	-2	-1	0	1	2	3	4	5	DK
12. Turnaround time for providing answers on applications, queries and transactions	-5	-4	-3	-2	-1	0	1	2	3	4	5	DK
13. Providing you adequate feedback on your requests	-5	-4	-3	-2	-1	0	1	2	3	4	5	DK
14. Your RE conveying trust and confidence	-5	-4	-3	-2	-1	0	1	2	3	4	5	DK
15. Availability of your RE	-5	-4	-3	-2	-1	0	1	2	3	4	5	DK
16. Your RE's knowledge and competency	-5	-4	-3	-2	-1	0	1	2	3	4	5	DK

Section C: Overall Satisfaction and Loyalty

We will now ask you to give an overall rating of a few important indicators. Please answer the following questions using a 0 to 10 scale, where 0 means that you rate the aspect as "Very poor" and 10 means you rate the aspect as "Excellent". You can also choose any number in between, depending on your opinion.

Please rate	Very Poor										Excellent	Don't Know
1. Rate the overall Value-for-Money you receive from Example Business Bank	0	1	2	3	4	5	6	7	8	9	10	DK
2. Rate the overall quality of the product solution you receive from Example Business Bank	0	1	2	3	4	5	6	7	8	9	10	DK
3. Rate the overall quality of service of your RE	0	1	2	3	4	5	6	7	8	9	10	DK
4. Rate the overall quality of relationship with your RE	0	1	2	3	4	5	6	7	8	9	10	DK
5. Rate the overall satisfaction with your RE	0	1	2	3	4	5	6	7	8	9	10	DK
6. Rate the overall satisfaction with Example Business Bank	0	1	2	3	4	5	6	7	8	9	10	DK

Section D: Likelihood to recommend

In the last section of the questionnaire, we will look at some aspects of your relationship with Example Business Bank. Please answer the following questions using a 0 to 10 likelihood scale, where 10 means that you are "Extremely likely" to do the following, and where 0 means that you are "Not likely at all" to do the following. You can also choose any number in between, depending on your opinion.

Please rate	Not likely at all										Extremely likely	Don't Know
7. What is the likelihood that you would recommend your RE to friends/family/colleagues?	0	1	2	3	4	5	6	7	8	9	10	DK
8. What is the likelihood that you would recommend Example Business Bank to friends/family/colleagues?	0	1	2	3	4	5	6	7	8	9	10	DK
9. What is the likelihood that you would recommend Example Bank to friends/family/colleagues?	0	1	2	3	4	5	6	7	8	9	10	DK

This is the end of the interview; and for reference purposes, I would like to remind you of my name - {INTERVIEWER NAME} calling from Example Research. I would also like to bring to your attention that it is important for Example Bank to follow up on evaluations on an individual customer basis; and we would therefore, like to share the evaluations that you have provided in this questionnaire with Example Bank – but only if you have no objections to this.

You can be assured that none of your personal information will be used for any marketing initiative whatsoever.

Do you have any objections with the disclosure of the information to Example Bank?	
YES - I object! - Please be assured that your individual information will not be disclosed to anybody.	☐
NO - I don't have an objection. Thank you very much.	☐

Thank you for taking part in this survey. Your participation will help Example Bank stay in touch with the expectations of their customers.

APPENDIX B

Item analysis and Cronbach's Alpha: Small Business						
Item	2009		2010		2011	
	Item-to-item correlation	Cronbach's Alpha after deletion	Item-to-item correlation	Cronbach's Alpha after deletion	Item-to-item correlation	Cronbach's Alpha after deletion
Q1						
Q2	0.76	0.95	0.81	0.96	0.82	0.96
Q3	0.80	0.95	0.84	0.96	0.83	0.96
Q4	0.75	0.95	0.78	0.96	0.81	0.96
Q5	0.77	0.95	0.78	0.96	0.79	0.96
Q6	0.82	0.95	0.84	0.96	0.85	0.96
Q7*	0.85	0.95	0.84	0.96	0.86	0.96
Q8						
Q9	0.81	0.95	0.84	0.96	0.84	0.96
Q10*	0.80	0.95	0.82	0.96	0.82	0.96
Q11						
Q12*	0.83	0.95	0.84	0.96	0.85	0.96
Q13	0.77	0.95	0.79	0.96	0.80	0.96
Q14*	0.85	0.95	0.84	0.96	0.86	0.96
Q15						

* Questions one, eight, eleven and fifteen were not used when interviewing small business customers. This is because management team for small business unit differs from that of the medium and large business units. As a result, small business management decided to exclude irrelevant questions for purpose of the measurement.

Item analysis and Cronbach's Alpha: Medium Business						
Item	2009		2010		2011	
	Item-to-item correlation	Cronbach's Alpha after deletion	Item-to-item correlation	Cronbach's Alpha after deletion	Item-to-item correlation	Cronbach's Alpha after deletion
Q1	0.82	0.97	0.81	0.97	0.86	0.98
Q2	0.89	0.97	0.86	0.97	0.91	0.98
Q3	0.83	0.97	0.82	0.97	0.84	0.98
Q4	0.90	0.97	0.90	0.97	0.93	0.98
Q5	0.89	0.97	0.89	0.97	0.92	0.98
Q6	0.88	0.97	0.89	0.97	0.91	0.98
Q7	0.88	0.97	0.87	0.97	0.91	0.98
Q8	0.89	0.97	0.88	0.97	0.90	0.98
Q9	0.82	0.97	0.81	0.97	0.85	0.98
Q10	0.88	0.97	0.88	0.97	0.88	0.98
Q11	0.74	0.98	0.78	0.97	0.86	0.98
Q12	0.80	0.97	0.84	0.97	0.91	0.98
Q13	0.86	0.97	0.84	0.97	0.90	0.98
Q14	0.80	0.97	0.80	0.97	0.84	0.98
Q15	0.84	0.97	0.84	0.97	0.84	0.98

Item analysis and Cronbach's Alpha: Large Business						
Item	2009		2010		2011	
	Item-to-item correlation	Cronbach's Alpha after deletion	Item-to-item correlation	Cronbach's Alpha after deletion	Item-to-item correlation	Cronbach's Alpha after deletion
Q1	0.83	0.98	0.86	0.98	0.83	0.98
Q2	0.89	0.98	0.88	0.98	0.90	0.98
Q3	0.84	0.98	0.86	0.98	0.85	0.98
Q4	0.92	0.97	0.90	0.98	0.93	0.98
Q5	0.91	0.98	0.91	0.98	0.91	0.98
Q6	0.90	0.98	0.91	0.98	0.91	0.98
Q7	0.90	0.98	0.89	0.98	0.90	0.98
Q8	0.87	0.98	0.89	0.98	0.89	0.98
Q9	0.81	0.98	0.87	0.98	0.82	0.98
Q10	0.89	0.98	0.90	0.98	0.87	0.98
Q11	0.75	0.98	0.77	0.98	0.85	0.98
Q12	0.82	0.98	0.88	0.98	0.91	0.98
Q13	0.87	0.98	0.90	0.98	0.90	0.98
Q14	0.82	0.98	0.84	0.98	0.84	0.98
Q15	0.85	0.98	0.86	0.98	0.86	0.98