Investigation of Customer Service in the Financial Industry

by

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EXECUTIVE SUMMARY

In an ever burgeoning technological market, banks are starting to lose control of customer service through the non-effective utilization of communication channels. The market is now being driven by the demands of consumers and no longer by the legacies in the banking industry. In South Africa, as an emerging market, this fact is especially important as consumers will shift alliances to seek the best service and do not stay loyal to a brand name. This investigation serves to help determine the manner by which a financial institution can provide a satisfactory customer service experience, regardless of the communication channel chosen by the consumer.

Factors that influence consumer behavior and satisfaction include: technological advancements, increasing expectations for service, consumer driven markets, loss of loyalty to a service provider, banking legacies, economic issues, legislation and market segment demographics. It can be concluded that technology, specifically mobile and internet services lead the way in how customers would like to interact with their banks. These factors have been evaluated using various surveys, benchmarking through best practices and gap analysis to produce a business model which identifies key areas which young, literate consumers would like to incorporate into their banking experience.

Gap and benchmarking analysis showed that financial institutions and consumers do not have the same viewpoint on loyalty, market trends, technology adoption and technology implementation as a Generation Z consumer. Certain key attractors for this market segment includes: technology driven communication channels, speed of service, self-service capabilities ease of access and communication accessibility. Key detractors in terms of customer service experience include: lack of ease in communication, negative commentary on social media sites, slow service speed and accessibility problems. All these factors aid in the creation of a service experience.

It has been shown that technology has favorably affected customer service experiences and thus has become the market driver in terms of the type of communication channel utilized and the capabilities for the consumer to become self-sufficient in their interactions with their bank of choice. Banks need to understand the relationship that a consumer has with the bank across every channel. This includes the ability to manage the capabilities of the channel effectively and to consolidate the information given by consumers to the bank through multiple communication channels.

Overall, almost 69% of all respondents felt that they received a satisfactory customer service experience, but if service experience is to become a key differentiator in the market, then this figure must be improved. The analysis has found that a parity customer experience level is 7.2 out of 10. According to the survey conducted, it can be inferred that a superior level of customer service can be achieved if a rating is given that is higher than 8. It has also shown that a financial institution that can dominate the market share and has a high service rating will benchmark well against it's' competitors.

To provide a satisfactory customer service experience regardless of the communication channel chosen, financial institutions must create a segment-specific model that uses the inherit capabilities of the channel to provide a meaningful engagement post for the consumer. Customers are demanding more from the banking sector and they have the

ability to influence the customer service perception of other consumers through the use of social networking. Thus to create an experience independent of the communication channel chosen, financial institutions must adapt to the demands placed on them by the market and be proactive in implementing technologically advanced solutions in the channel utilization and approach.

Key communication channels for a market segment of 18-27 year old, computer literate and educated consumers are:

- Online Banking
- SMS Banking

Key indicators for creating a satisfactory customer experience include:

- Providing technology-driven channels
- Ensuring ease of access in communication channels
- Fast service speed
- Increasing channel capabilities and usage options

The business model approach needs to incorporate customer demands. These demands include:

- The ability to utilize self-service functionality
- Become proactive in technology adoption
- Create the right mix between channel capabilities and product mix
- Personalized communication channel adaption
- Consistency in customer service experiences
- Create an engagement opportunity with the consumer

Customer service experience models should try to move away from creating an experience for the mass market. Technologically advanced communication channels such as online and SMS banking has the capabilities to be adapted for every user by allowing for user input into the interface design. Models should incorporate customer perspectives from an early developmental phase instead of molding customer experience models on the company expectations for consumer responses. Financial institutions must become proactive in their response to predicting and modeling consumer behavior in order to facilitate better customer service experience interactions.

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1.1. Introduction and Background

Money exchanges hands with a slip of note, someone sighs in the background, waiting for their turn and you feel satisfied and in control of your finances. This is the reality of banking, the feeling that the customer is in control of their finances and that the bank only offers exactly what the client wants; this is the full Customer Service Experience as requested by the many members of society.

In today's society, it seems that financial institutions have lost sight of how important customer service experience is to providing a satisfying banking experience, regardless of the communication channel chosen by the consumer.

Historically, banks have allowed people to control their personal wealth in a limited number of interaction channels, mainly in face-to-face interactions. Customers have become much more aware of their wealth options and capabilities to manage their wealth with the advancements in technology, internet capabilities and the increase of non-personal interaction channels, such as internet and SMS banking. The wave of offerings that come from technology today is astronomical and institutions cannot always keep up with the wave of demand from the market.

Customer service and customer experience is an intangible concept that is very important in a successful banking model. Aligning the products that a bank can offer with the correct method of interaction is an elusive concept with no definitive lines or models that work. Customers from different market segments require different services from their bank of choice. They also mainly work with different types of communication channels and use different types of engagement posts. Cell phone banking, internet, SMS banking and face-to-face contact are all different types of engagement posts that banks use to connect with their customers. Each market segment appreciates a different type of banking experience, whether it is direct contact with a specific manager or the quick SMS. Banks must be aware of the impact of technology on their good customer service rates.

Harvard Business School encourages businesses to model their customer service on three core concepts. Firstly, businesses must design "the right offers and experiences for the right customers" then they must deliver and develop their capabilities to please the customers again and again. (Harvard Business School, 2005). To support the market requirements, banks must adjust their strategies to fit into the mould that is required of them in terms of the service experience whilst still trying to gain that competitive edge.

"As the financial markets continue to evolve, financial institutions are working to grow and maintain profits while adjusting to ever-changing regulations and the downturn's effects on profitability and performance" (Deloitte Global Services Limited, 2011). Financial institutions in South Africa are an integral part of the economic backbone driving the economy, but people control the drive of a country. Therefore the interactions between these two are of paramount concern to the development of wealth within South Africa and banks must be aware of the institutional changes that they must make to keep abreast of the current economic climate.

The world economy took a hit with a worldwide recession and new acts have been brought into play to try to assuage the general population that the financial industry must look after the clients' wellbeing in crisis and in a stable economy. The Consumer Protection Act (CPA) has been put into place to proactively ensure that businesses do not exploit consumers. The CPA as signed by the President serves to 'promote a fair, accessible and sustainable marketplace for consumer products and services and for that establish national norms and standards relating to consumer protection…" (Republic of South Africa, 2009)

CPA gives ten fundamental rights to a consumer (Standard Bank, 2012):

- Right to hold suppliers accountable.
- Right to equality in the consumer market.
- Right to privacy
- Right to choose
- Right to disclosure of information
- Right to fair and responsible marketing.
- Right to fair and honest dealing.
- Right to fair, just and reasonable terms and conditions.
- Right to fair value, good quality and safety.
- Right to hold suppliers accountable.

These regulations apply to all industries and companies which are governed by South African law but the TCF or "Treating Customers Fairly" regulation is specifically aimed at regulating the financial service industry.

TCF aims to treat customers fairly throughout product handling and to reduce exploitation of consumers, ensure that products and services are designed to meet the needs of specific consumer groups (Smith, 2010). TCF also aims at improving communication between the customer and financial institution by compelling financial institutions to give customers clear information on sales, commission, upfront payment etc. Providers must communicate information with you in a clear, concise manner which cannot be construed as misleading in anyway. Advice must be relevant to what you require as a customer and one can reasonably expect products to perform as the provider has marketed them to you and the provider must ensure that the level of service received is of a good standard. Unreasonable barriers should be lifted and one should be able to change products without incurring excessive penalties. Finally, the TCF aims to enforce "uniform protection" (Smith, 2010) in the financial industry when dealing with customers and will enforce rules which are in line with the guidelines of the CPA bill. The Finance Minister of South Africa commentated on the Consumer Protection Act; it has been made to create “a safer financial sector to serve South Africa better” (Gordhan, 2012).

The CPA and TCF have only been effective as of the 1st April 2011 and therefore companies are still adjusting to how this Act affects their business models and client interactions. Therefore the need to understand how this changes business models, restructures products and communication channels is a paramount concern to becoming a leader in the South African economy for service quality.

1.2. PROBLEM STATEMENT

In financial journals, it is stated that service will soon be the only differentiator for banks (Deloitte Global Services Limited, 2011). So the question comes into play: how should banks accomplish this and where should they aim to achieve to accomplish the desired competitive edge through customer experience?

Banks do not seem to have the correct perspective when it comes to providing a good engagement post for consumer to interact with their bank of choice. Therefore it warrants investigation as to what blocks a bank’s ability to provide a satisfactory customer service experience.

1.3. PROJECT AIM

South Africa is unique in so many ways that models which work for 1st World countries cannot be applied to the South African base market. The solutions that work in this climate are adapted to fit the African blend of life in business. Cookie-cutter policies and services offered to the South African market do not necessarily align with the market requirements. Therefore it is important to model business strategies to the specifications of the client base.

Each and every demographic within the South African market has unique requirements when it comes to interacting with their bank of choice. This means that banks may be misaligned to the proper requirements of a specific market segment in terms of the qualitative ‘wants’ of their customer base. Clients do not know which channel is the best way to interact with the financial institution of their choice to receive the service they require, nor do financial institutions offer a good ‘one-stop’ customer engagement post.

There is no ‘one-stop service’ specifically built to deal with the channel interfaces offered by banks. This is a problem because with the introduction of the Customer Protection Act and Treat Customers Fairly bills (CPA and TCF), the only differentiator between banks will be customer service interaction experiences. Successful institutions will need to reassess their operating models and address the effects of regulatory reform, competitive dynamics, evolving markets and increased expectations from stakeholders (Deloitte Global Services Limited, 2011).

Eighty percent of companies believe that they deliver a superior customer experience, but only eight percent of their customers agree, says Bain & Company. Wholly, this means that banks are misaligned with what the markets expect in terms of customer services, experience and perception. The customers might only be receiving a product whereas many clients would like a "banking experience." The knowledge that they have control and that their financial institution of choice has the capability to cater to their needs in the way that is most convenient to them.

Therefore there is a need to evaluate the market offerings against the market needs in South Africa. Are the communication channels used effective to promote products and do the customer base react well to the products that are being used? Do the products on offer reflect what the market wants and how does the legislation and organizational structure affect customer service in South Africa? "Consumer behavior is the killer…it will kill your business every time unless you move with it (King, 2012).

The aim of this project is to evaluate the demographics of the South African market as to what is required by those who use financial institutions services. This will then lead into an in-depth study of one specific market segment to investigate whether the services, communication channels are in-line with what the market wants. For example: which elements of a bank delight a client, what do they actually want from the bank beyond the services offered and what differentiates a bank in terms of customer service and satisfaction. What will make a person stay with a bank or break the bonds and what are the daily frustrations experienced by the general public. The project focus is on benchmarking the various communication channels with which one can approach a bank post the original sale and the customer satisfaction with the services offered by financial institutions and the various factors that help build or influence a customer service experience. This allows one to quantify the cost of customer service and the capabilities of the various service channels available to the customer base of an average financial institution.

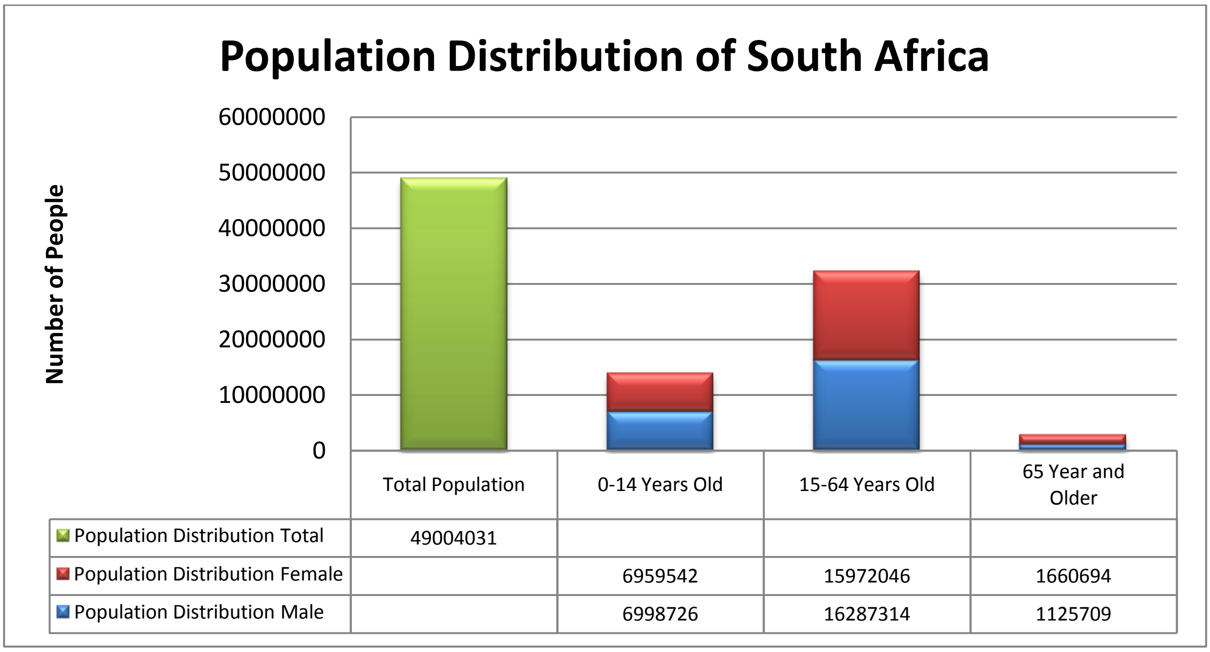
2. Environmental Analysis

In order to be able to analyze the components that go into building a satisfactory customer service experience, a proper understanding of the various factors that influence the customer service experience model is needed. Some of these factors include: the current South African market and economy, the influence of technology and consumer behavior in the current market place.

An understanding of the market place and economy is required because this influences how an experience is modeled from a bank's perspective and it also influences the way in which consumers interact with their bank. Technology influences the service rate of a bank and the manner in which transactions are handled. It also affects communication channel utilization and the type of communication channels available to a specific market. All these components have an effect on the manner by which consumers interact with their bank of choice and how a bank will model a customer service experience for a mass market segment.

2.1. The South African Consumer Demographic

Consumers can be divided into certain groups as identified by the South African Census and the Community Survey of 2007. These groups include people younger than sixteen, whom do not contribute to the economy of the country, people whom are between sixteen to sixty four, whom contribute to the backbone of the economy and people whom are older than sixty four. These groups can be broken done by the education level, income bracket and population age distribution of each segment. The demographics of the customer base are important because different customer brackets interact with banks with different channels and expect various services from their financial providers.



	Total Population	0-14 Years Old	15-64 Years Old	65 Year and Older
Population Distribution Total	49004031			
Population Distribution Female		6959542	15972046	1660694
Population Distribution Male		6998726	16287314	1125709

FIGURE 1 POPULATION DISTRIBUTION OF SOUTH AFRICA (STATISTICS SOUTH AFRICA, 2007)

South Africa is a country that has fared through many hardships and this reflects in the demographics of the country. Nearly 50% of households are below the poverty line (Central

Intelligence Agency, 2012) with the poorest households accounting for 1.3% of the GDP and the richest 10% accounting for 44.7%. This shows that there is large discrepancy in the income brackets of South Africa and therefore people cannot interact with their bank with a single communication channel.

The population of South Africa currently stands close to 50 million people with an annual growth of 8.2%, with the Gauteng region growing by 13.9% since 2001. This means that the Gauteng area has an estimated population size of 10.5 million people (Statistics South Africa, 2007).

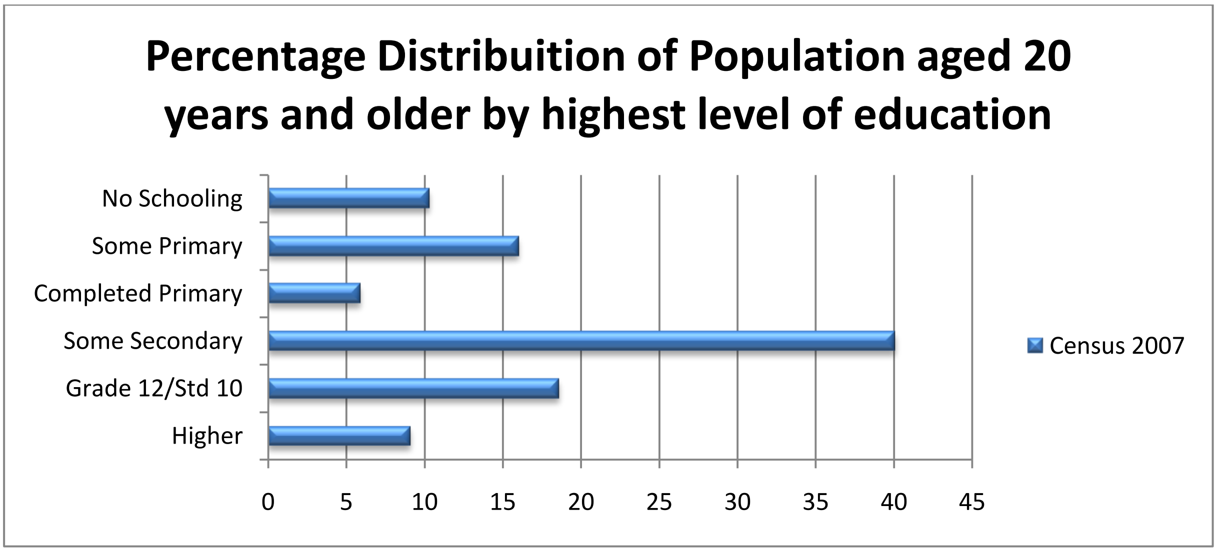


FIGURE 2 PERCENTAGE DISTRIBUTION OF POPULATION AGED 20 YEARS AND OLDER BY HIGHEST EDUCATION LEVEL (STATISTICS SOUTH AFRICA, 2007)

Figure 3 above shows the general population education distribution. Currently 27.7% of South Africans have completed Grade 12 and may have completed their tertiary studies. Therefore 67.8% of South Africans have had some secondary education or higher (Statistics South Africa, 2007). This bodes well for the literacy and education in South Africa.

Education and population demographics are key indicators to gauge and segregate the customers that employ the services providers by financial institutions. The indicators can also suggest certain trends that will occur within certain population groups in terms of which communication channels will be employed by any one person. The main segregators include: household disposable income, location, population demographic, education and further employment history.

2.2. The South African Economy and the Global Financial Crisis

South Africa is considered to be an emerging market, but the banking industry of South Africa has been rated amongst the top ten in the world (South African Government Online, 2012). This means that the potential for development for South Africa is considerable and that consumers can take advantage of this.

The South African market is diversified but nonetheless, it was affected by the economic crisis which struck the world in 2008. The Global Financial Crisis (GFC) was regarded as the worst financial crisis since the Great Depression of the 1930’s (Reuters, 2009). A recession is defined as a period of economic decline and it usually shows with a notable decline in the gross domestic product (GDP) in more than two quarters (South African Government Online, 2012). This resulted in institutional breakdown of many large financial institutions, which in turn, adversely affected the trust that many people placed in the banking industry.

The GFC was set off by the United States banking system in 2008 because of the housing bubble crisis and mortgage policies. This caused problems with banking solvency, credit availability and damaged the trust that investors had in the banking industry to be "too big to fail." The GFC hit South Africa in late 2008 when the economic growth of the country dropped from 3.1% to -6.4% and -3% in the third and fourth quarters respectively. (South African Government Online, 2012). Concurrent with this blow to the economy was the electricity crisis (Reuters, 2009). These two events threw South Africa into the deep end of recession. The fallback that the recession caused meant that stricter banking regulations were created to avoid a scenario like the one created by the Lehman Brothers.

The recession caused a mass decrease in the disposable income available for capital expenditure in South Africa. This creates an adverse effect on the cash flow available. Banks are then affected by the level of bad debt and the GDP of the nation decreases significantly. Demands for loans decreases during a recession which increases the liability of the banks in terms of liquidity. This in turn creates stricter borrowing policies for the banks which makes it more difficult for a customer to be eligible for loans/mortgages. Stricter banking policies lower the liability of a bank but it adversely affects the service and satisfaction level given to clients (Crimison Business, 2009).

The International Monetary Fund (IMF) found in its' 2007 assessment that South Africa's economy was "undergoing its longest expansion on record, and has experienced elevated growth… strengthening public finances, and rising international reserves financed by large capital inflows." This creates a favorable market for investors and the normal population. South Africa had the foresight to retain R11 billion to address and minimize the effects of recession for the South African markets (Presidential Economic Joint Working Group, 2011)

"To succeed in this environment, we have to seize the opportunities presented by this changing world" (Gordhan, 2012). The government has taken a strong monetary policy stance and dropped interest rates (Presidential Economic Joint Working Group, 2011), which aided banks greatly in terms of lending. The South African people benefit from living in an emerging market due to the potential of market progress in the country and the banking policies offered to small holdings and private persons alike.

2.3. Legacy and Legislation

When one thinks of banking, one sees a stalwart institution, riding the nation through financial crisis, inflation and economic downturns. It is a place in which people believe. Banks are the legacy of nations whom have overcome many obstacles and continue to build help build the nation. Legacy in banking is the doctrines and practices that have been carried over from previous systems into the current system. These may include various procedures in paperwork, signatures for positive identification or requiring a customer to resubmit documents for new transactions.

To the external customer and for service satisfaction; legacy in banking is a dangerous thing, but on the other hand, it is a good thing. One does not want a bank that changes by the day or changes policies without prior notification. Clients would like a bank that can deliver superior service without all the paperwork, wasting of time and reapplications of documentation. Unfortunately, banks are not apt at changing institutions standards. Most banks have a well-established record policy (which may be supported by external vendors) (Deloitte Consulting, 2012). This system has been built on years of legislation requirements and security concerns, but unfortunately this legacy system which has been inherited and developed over time and with different policies guiding the banking industry has shortfalls. Each account opened by a person is independent from all other accounts, policies or loans taken out. Account numbers vary with different pockets of business and the system is disconnected and outdated.

Banking legacies that have been carried over in banking practices today are entrenched with the day-to-day activities. It may be a significant capital cost to transform these legacies to effectively use the technology that is available today, but the costs-saving of paperwork and time may be tremendous. (Deloitte Consulting, 2012). The Electronic Communications and Transactions Act (ECT) of 2002 guides over 30 different legislations in the banking industry. Although the ECT Act of 2002 allows one to perform business transactions electronically. However, banks do not try to promote this practice because of how banking legacies have affected customer relations in this technological age.

Antiquated practices also hinder customer service relations; cheques were common before electronic transactions and in any other industry the idea would be outdated in terms of technological advancement. Therefore, the theory that cheques are still relevant to the customer today is flawed. Banks need to understand the dynamics of the industry and move with the pace of technology (King, 2012). By retaining legacy practices that hinder the progress of business, it negatively affects the way that a customer will interact with their own money and the bank. Clients are more likely to use money transfer systems such as PayPal or mobile transfers than a cheque or inter-bank P2P transfers (King, 2012).

Progress in banking should not be hindered by the legacy of banking administrations. Nor should the idea of regulation encumber the ability of a bank to offer quality service to any one person. The fast pace of life should be accentuated by the way one handles finances and not held back by historical tendencies in institutions.

2.4. TECHNOLOGY

"I think there is a world market for maybe five computers" (Watson, 1943). This quote is attributed to the then chairman of IBM in the time where computers were not a household item and information was not accessible at the touch of a button or on a whim to stay connected.

Michael Armstrong, the former Senior Manager for Customer Propositions for HSBC Asia Pacific once wrote: "Ten years ago…the internet and such thing were considered breaking ground for most of the bankers I knew. The fact is that when we applied the right thinking we had some astonishing results, and most of my colleagues in the retail banking space still chose to ignore those results as statistical anomalies rather than see them as trends representing changing customer behavior."

Technology is improving at such a fast rate that financial institutions cannot always implement strategies to keep abreast with what their market share requires. The pace with which consumers move to keep up with technology trends is astounding, as 90% of transactions today are done electronically (King, 2010).

Moore's Law predicts that since 1967, the processing capability and speed of a chip will double every two years (King, 2012). This is an incredibly fast pace, but the fact remains that people have to ability to learn, handle and exploit this trend technological progress. People adopt new ways of thinking and interacting in mere months and not in year measurement. They are less resistant to change and will seek the best and fastest way to handle any task.

Up until the 1990's the ATM was almost the only customer-facing technology that the banks employed (Armstrong, 2010). Once cell phones broke into the market and became everyday objects for most bank customers; banks were forced to incorporate this technology as a service channel to meet customer demands. This trend of reacting to existing technology has plagued the banking industry and the cycle continued with IVR systems and the internet. Banks would be forced to incorporate more service channels such as SMS banking, EFT's and other internet banking options. The institutional rigmarole that is required to change business policies and create easy-to-use systems for customers means that banks are always trying to catch up with what their customers want and not proactively predicting how technological trends might affect their customer relations.

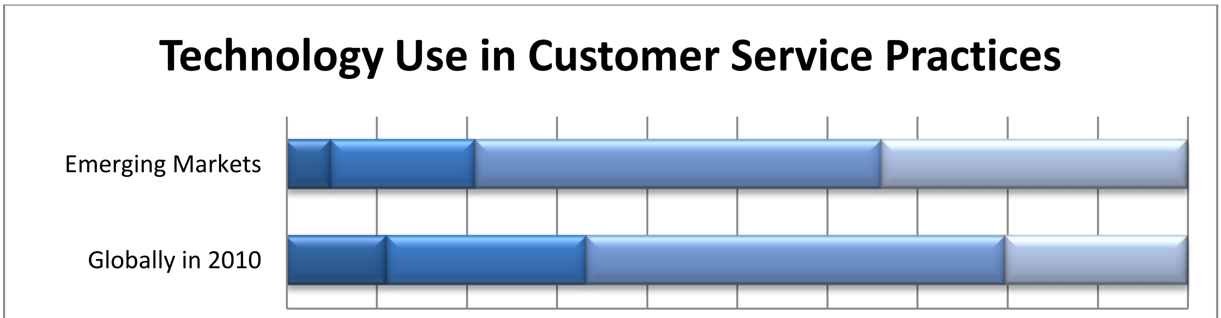
The banking industry must also realize that the notion of "build it and they will come" is a mentality that is no longer applicable in customer relations (Armstrong, 2010). For example; Video Banking Centers (VBC) were tested in Australia nearly twenty years ago by Citibank. The technology used was very advanced for the time as the VBC booths allowed customer to use self-service portals. The booths were placed in a mall[1] with four other existing national banks where the people could be welcomed and have a "personal banking experience." The VBC booths were a failure and thereby it shows the shift in consumer behavior to banking structures. Predicting consumer behavior and understanding what communication channels will be viable for a specific market segment is of utmost importance to maintain good service levels and customer satisfaction.

The internet was launched in 1994 commercially, but banks did not grasp the importance of the internet and how it could change the service relationship with customers. Banks had never used or had a need for this type of technology thus far, so banks waited until 2001 to launch internet banking portals. This is gap of nearly seven years before banks started utilizing the capability of the internet. The advent of the iPhone in 2007 opened up the market for the "Apps" and thus increased our expectations for mobile interactions (King, 2012). Nearly 15 billion Apps have been downloaded from iTunes as of July 2011. Taking into account the effect of Moore's Law on human interaction with technology, could banks really wait seven years to create a mobile "App" to bank with?

Businesses today feel the effect that technology has on their bottom line, as 77% of consumers report that technology has an effect on which product they choose to purchase. Consumers also feel that it has improved their experience with their product of choice (Accenture, 2011). More than 66% of consumers stated that they are using technology more often and that they are interacting with businesses through service channels such as: automated phone attendant, live internet chats and self-service options. These channels

[1] Unfortunately, this project was not a success due to the market environment and location of VBC portals nearby branch locations.

have also improved over time and increased the service level experienced by consumers. Notably, consumers in emerging markets have placed a high importance on the use of technology in customer service than their mature market counterparts.



	Globally in 2010	Emerging Markets
Strongly Disagree	11%	5%
Somewhat Disagree	22%	16%
Somewhat Agree	46%	45%
Strongly Agree	20%	34%

FIGURE 3. TECHNOLOGY USE IN CUSTOMER SERVICE PRACTICES

Technology upgrades are being embraced by users at an unprecedented rate. Mobile banking is growing between 300 and 500 percent faster than internet banking. Therefore, by extrapolation, mobile banking will be the most used channel of communication between banks and customers in 2015, followed by internet banking, ATM, call centers and branch banking respectively (King, 2012). PayPal has more customers than any other traditional bank in the world, yet the company only offers e-commerce facilities through internet transfers.

Returning to the advent of “Apps” in our daily technological interactions and how communication between banks and clients was changed because the consumer demands it. Apps changed the ownership of the banking experience and made it a consumer driven product experience. Mobile apps no longer allow banks direct contact with their customer base as clients use the app through Apple or Google or another service provider. Banks must qualify by the external service providers’ standards to enable this service for their clients (King, 2012). Steve Jobs literally changed the way in which people or consumers interact with technology and the demands they place on institutions to provide service in the manner that best suits the individual. “Technology use is determined by our customers, not by banks.” (Armstrong, 2010).

2.5. Satisfaction in Customer Service

2.5.1. Switching and Loyalty of Customer Base

Notable amounts of surveys and market studies have been done to pinpoint exactly what is required in terms of customer satisfaction. Unfortunately, customer satisfaction is a moving target and it is specific to certain communication channels and the demographic of the market segment targeted (South African Government Online, 2012). It has been shown that in an emerging market that customers are more likely to switch service providers due to poor service in an emerging market than in a mature market, especially in the banking and retail industries (Accenture, 2011).

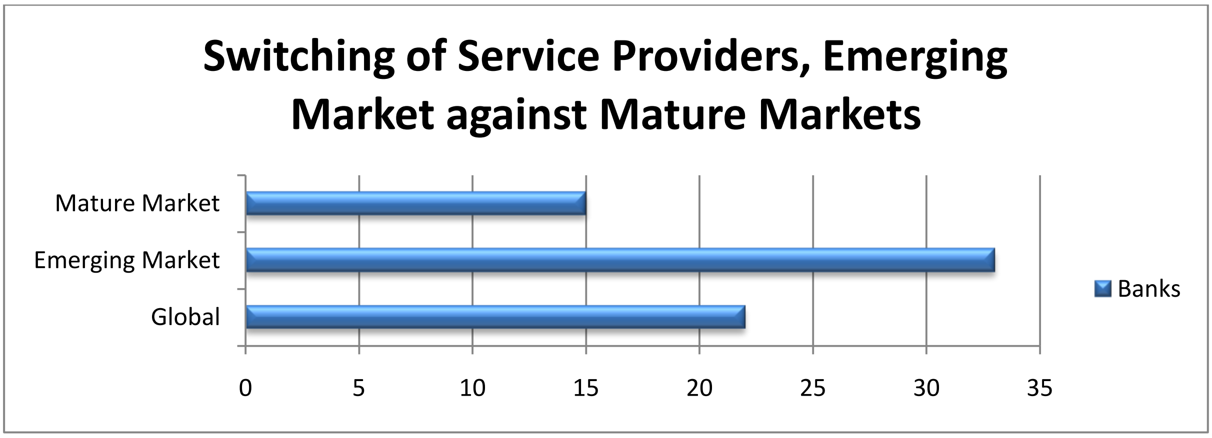


FIGURE 4. SWITCHING OF SERVICE PROVIDERS (ACCENTURE, 2011)

Consumers are becoming aware of their power over industries. It is becoming easier to switch providers and businesses need to provide exactly what a client requires in order to ensure that they have a sustainable and growing market share. Globally, approximately two out of every three consumers have switched service providers due to poor service. Loyalty to a brand is no longer deemed a sufficient reason to stay with a service provider, but loyal customers can generate 30% more revenue than other customers and cost 25% less to serve (Accenture, 2010).

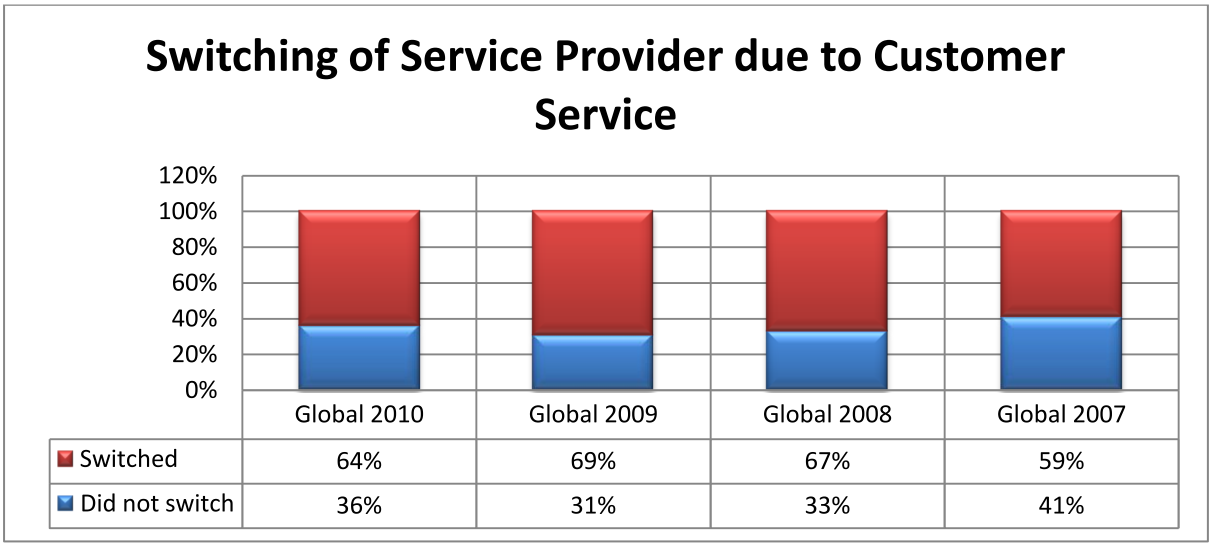


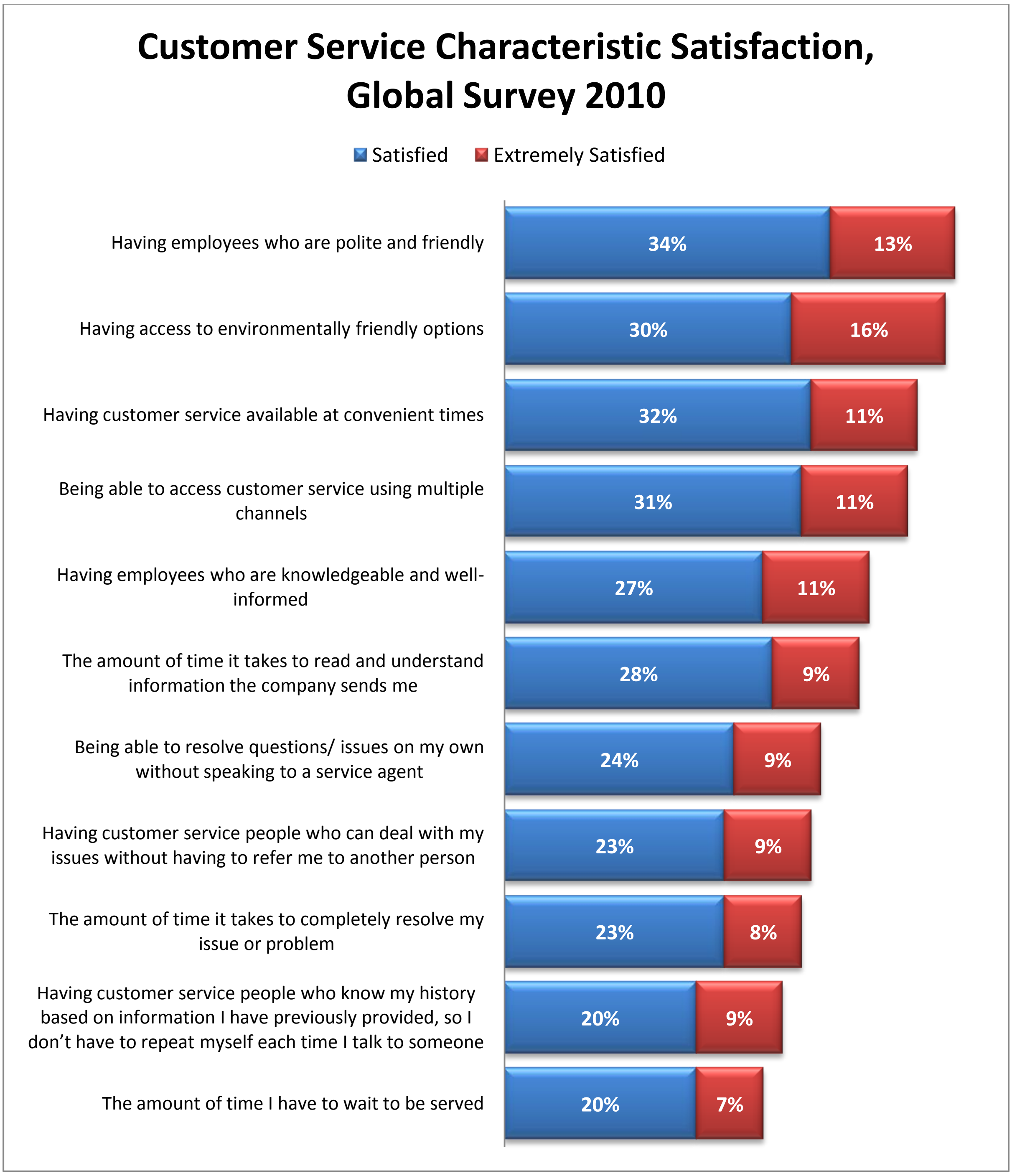
FIGURE 5. SWITCHING OF SERVICE PROVIDER DUE TO CUSTOMER SERVICE (ACCENTURE, 2011)

The switching of service providers has steadily been increasing for nearly six years, up until 2010, which showed a marked decrease from a high of 69% to 64%. Although fewer customers have switched service providers, it does not mean that the industry is providing what the customers require. Consumers are starting to understand that they have power over their service providers and therefore consumers have higher expectations in terms of communication and service. (Accenture, 2011)

2.5.2. Consumer Expectations

Customers continually expect more from their service providers, for example, less queuing time, more convenient branch locations, time and availability and so forth. Accenture did a global survey in 2011 to map the eleven most prevalent characteristics that a customer looks for and expects from their service provider. The results are shown in the figure below, but the emerging markets, such as South Africa showed a marked increase from five years ago in the expectations for service satisfaction.

FIGURE 6. CUSTOMER SERVICE CHARACTERISTICS SATISFACTION SURVEY (ACCENTURE, 2011)



This survey shows that customers generally focus on current trends and on the areas which give them the most rewarding interactive experience, namely polite and friendly staff, convenient service times, multiple communication channels and environmentally conscience business decisions. The survey also found that 54% of consumers are not willing to sacrifice customer service for lower prices (Accenture, 2011) and that 44% of consumers will not accept a lower frequency level of communication to ensure that they get the lowest price. Therefore the market is no longer price driven but it is leaning towards the fact that consumers want the best experience from their product choices in terms of choice and service.

Ten universal truths have been defined for the customer service experience (Accenture, 2010). These include:

1. Customers have a single view of their service provider; regardless of the number of products on offer but the service provider have "product-centric" views of their customer base. Therefore consumers only have one "service experience" with a specific service provider.
2. The "one-size-fits-all" mentality is no longer relevant for customer service and thus companies need to provide more tailored solutions for customers to communicate with the company.
3. Each communication channel and service provider only serves a finite number or type of requests but most companies will be hard-pressed to identify these requests in their current business model.
4. Customer using multiple communication channels will expect a higher degree of transparency, accessibility, integration and ease of use.
5. Customer behavior strives to be self-serving if these conditions are met: availability, speed, consistency and accuracy.
6. Effective changes to customer service will aid the reduction of customer service costs whilst increasing customer satisfaction and loyalty. The cost versus quality tradeoff does not apply to customer service.
7. Customers do not demand perfection from communication channels but they do expect precision in handling requests.
8. Large corporations have the capacity to diversify and individualize customer service requirements with the technology available today.
9. Consumer insight is more valuable than analytics.
10. Companies need to rethink the role of customer service agents and the channels through which they act.

3. Investigation Techniques

3.1. Survey Analysis

Data capture done through surveys can show paradigm shifts in consumer behavior that is not apparent in quantitative data analysis. It may show relationships or shifts in consumer requirements and thus should be used by companies striving to maintain or sustain high performance levels. Surveys also allow companies to see how consumer perceptions can impact their market share and future growth projections.

Current trends in market satisfaction have shown that customers spend an inordinate amount of time waiting for service. In a day and age where time is money and when one never has enough time to satisfy all your demands, it is very important for banks to take notice of the demands that customers have. Banks need to have a proactive response to customer queries and build systems that can manage these queries hassle free.

Recent surveys have shown that 25% of customers wait for more than 20 minutes at a customer service desk before being served, even though 97.4% of customers indicated that they were not willing to queue for more than 10 minutes (Accenture, 2011). Over 50% of customers had to resubmit documentation to banks that the banks had previously received in the last twelve months and 57.5% of clients indicated that their bank did not live up to their service expectations. Clients have also stated that customer service and their perception of it, is directly linked to the amount of time spent in a bank.

Customer satisfaction can be defined in many ways; firstly it is described as the measure of how products and services supplied by a business meet or surpass customer expectations. One can also see customer satisfaction as a dynamic link between "visionary leadership, internal data from employees and external data from the customers" (The University of Texas, The School of Social Work, n.d.). It is the vision that follows through the leadership of a company that has direction, against the direct input from the staff as to what works and what is just paperwork. Internal data may include the knowledge base that is accessible, opinions, assessments and how capable the employees feel the organization is. Finally the all-important input from the customer, this may include environmental inputs, perceptions, interest or stakes in the business and the desires of the customers against the internal expectations of the business.

A recent survey done by Deloitte showed that 28% of customers believe that shorter queue lengths and less time wasted in queues will improve their perception of service satisfaction, 23% stated that the re-application of documents that have been submitted before is an influence on service satisfaction, 16% said that it should take less time to process a request and the other 33% said that bank charges and how a client is treated has an influence (Deloitte Consulting, 2012).

The population demographics and specific user information is very important to understanding the specific market fractions for which a bank must provide services. Looking at the population statistics through census reviews does not give the depth needed for this project.

One needs to evaluate the relationship between the technological and physical channel as available to clients to link with their bank of choice. Secondly, one needs the specific demographic indicators, such as a specific financial profile coupled with the income bracket and financial choices that person makes. Do they use loan facilities or rather scope out a bank based purely on the business products that a bank can offer them? Loyalty to a bank is also a key indicator in ranking customer satisfaction (The University of Texas, The School of Social Work, n.d.) .

Banks must also realize that their products have a shelf life, not necessarily in the normal sense of the word, but in the fact that the customer base interested in a specific product changes over time. For example, a student friendly account with minimal banking charges will always attract a population demographic of young male and females between the ages of 17 and 25. What is not indicated in this demographic survey is that the students of today are fully computer literate and are kept up-to-date on the latest technological trends. Therefore they may be more likely to use internet or cell phone banking than any other segment of the bank's market base. Surveys are an ideal technique to understand where the customers are coming from. Are middle income households more likely to use the loan facilities of banks, whereas the low income households enjoy the personal touch that only a bank branch can offer? Or can they not afford to use any other means of communication to interact with their bank.

Customer loyalty is a great indicator of customer satisfaction, the rise and fall of sales figures and brand recognition is another way to see how well the market base actually knows the players in the market. This can all be done by using various types of surveys. This will aid in establish key indicators such as:

- Establish the customer base and categorize the demographic groups.
- Categorize products and information is available to the customer about any specific bank
- Establish what sets one company apart from the rest, do a benchmarking test
- Determine the needs and wants the products meets
- Scrutinize the barriers that block an effective communication channel with the customer base

These indicators can be used to create business models specific to each market segment, creating a business model which caters to the specific needs of the customer base to ensure the customer satisfaction and increase loyalty.

Data mining through surveys will aid in narrowing the focus of the project from the initial demographic study to an individual market segment and then to a specific market channel. The data garnered from the various types of survey can be used to create a database of knowledge which can show current trends in consumer behavior or shortfalls in the effectiveness of channels.

Surveys allow one to compile data in order to understand the qualitative requirements that customers have with regards to the various communication channels and service satisfaction ratings of clients. The two main types of surveys which will be used are flash surveys and online surveys. Flash surveys are done with small sample groups of people. These surveys are done at a wide variety of places to increase the overall likelihood of questioning all demographic groups applicable to the study and will be used in all the phases of the project.

The online demographic survey will be hosted by Nashua and LincDoc survey hosting. Any South African whom enters the domain of Nashua Limited will be asked to complete the survey and the results will be tabulated electronically and copies of all completed surveys will be kept for referencing. Please see Appendix A for survey formats for the demographic survey.

3.2. Gap Analysis

Customers are becoming more demanding and businesses which do not deliver to consumer expectations can expect a decrease in their market share. The gap between consumer expectations and actual service delivered will hinder a company's growth as consumers are more likely to act on their dissatisfaction as trust in their service providers is an important point for consumer loyalty (Accenture, 2011). The mentality of treating all customers to the same customer service experience is inadequate, existing customers would like a meaningful relationship with their service providers which fits their needs and wants from the company.

Gap analysis is a technique used to evaluate actual performance against potential performance or to highlight discrepancies in the market. This is a powerful tool that uses key market indicators to identify the disparity between the two. This can be used to value the need for a specific communication channel, the importance of the communication channel for the market segment, the effectiveness of the customer service for any specific channel and then the focus that the business should place on it can be garnered.

The behavior of consumers in terms of wants and usage can be tabulated by using Gap analysis. Consumers are becoming more technologically savvy. For example, banks feel that branch banking is the stalwart of their industry, whereas a recent Novantas survey suggests that will be a drop of 54% in branch banking from 2006 to 2015.

Gap analysis can be extrapolated to see the effect of the recession on consumers and how it affected their loyalty to their bank of choice. It can also suggest failure points, customer intentions and behavior across channels (Accenture, 2010). This will suggest what is the "X-Factor" is in terms of banking to improve customer service as regulation of financial service providers after the GFC will not automatically improve the consumer trust (King, 2012). Gap analysis can identify the cost associated with delivering world class service which may bring back customer loyalty and increase the market share without significant preventable incurred costs.

The analysis can change the traditional model in one or more of the following ways (King, 2012):

- Creates a simpler, cheaper or more convenient approach than the old, traditional banking process in terms of customer service
- Introduces new technology that is superior to the previous generation of method processes
- Creates a dynamic shift in the value chain which may make previous ways of business redundant

Banks are always playing catch-up with the technology currently being used by consumers or banks choose to ignore the impact that a specific technological advance could potentially have on their business strategies. Examples of how gaps in the market have already been bridged by technology include the decline of cheque usage against EFT banking and the decline in branch numbers due to the increase use of mobile banking (King, 2010). Out-of-date physical representations of products or distribution centers in the banking industry are very quickly being replaced by consumer driven products and channels.

The gap analysis will focus on indentifying the most relevant communication channel used by the specific market group. Secondary to this, a gap analysis can determine:

- The disparity between consumer behavior and banking policy
- Effectiveness of banking legacies
- Consumer driven products and how well the banking industry can relate these products to fit into their business model
- How relevant banking methodologies are to the consumer's perception of customer service

Consolidating all the information will produce a balanced Scorecard which will enable businesses to choose the efficiency sector in which their business strategy is most comfortable. For example: a high-low relationship in which the various sectors use individual service against cost, high individual quality service will result in higher expenditure to be achievable, but minimizing costs will create a generic service quality which may close down the market for the business.

Choosing a level of customer service within one specific market segment and with a specific communication channel will allow the bank to fully understand the capabilities of any given system and how customers behave towards it. This will create the best foundation for the market alignment study as set up in the project deliverables and will create a functional business model for customer service quality.

3.3. Predictive Analytics

Predictive analytics is general term used to describe analytical and statistical techniques used to build models that predict trends and future behavior. Predictive models generate a score which indicates the likelihood of a trend or behavior occurs (Nyce, 2007). Predictive analytics is normally used to generate credit ratings for individuals. A variety of information on a person is gathered and analyzed to predict the probability that a person will act in a certain way. This is done by data mining which identifies trends and patterns amongst data. This will allow banks to predict the way that certain clients will interact with the bank and how the impact of technology will affect customer service in the banking industry.

Predictive analytics is a powerful tool to use in evaluating consumer behavior because of four keys components: the availability of data; technological advances; the desire for growth in slow market segments and a business's search for competitive advantage. The process involves collecting data and selecting the appropriate information which is relevant to a person's decision making criteria. The data is then scrubbed to eliminate incomplete or missing data which will affect the accuracy of the predictions. Sample groups are then created to test the validity of the model and whether regression or trends in the data and behavior occurs.

The advantage of this technique is that it can aid in understanding customer behaviors, buying trends and sales. It reduces the time that employees may have spent researching client requirements in cases such as loan applications. Unfortunately, an in-depth predictive analytics model is costly to build and has the inherit inaccuracy associated with predicting future trends.

3.4. BENCHMARKING

Benchmarking customer service experiences is very important. Achieving a parity level of service is no longer adequate in this technological age. Customer service may become the only differentiator between businesses and thus top contenders in customer service will retain and expand their market share at the detriment of parity service providers (Deloitte Global Services Limited, 2011).

Benchmarking will focus on these key aspects:

1. Accessibility
2. Ease of use and utilization factoring
3. Consistency of service
4. Overall customer experience level

This will help identify the obstacles that hinder financial institutions from achieving a superior level of customer service through communication channels. It will also show the various aspects of a communication channel which are key indicators for service experience in the eyes of the consumer.

3.5. ANALYSIS OVERVIEW

Customer behavior is rapidly changing and is being driven by technological innovations. Banks can no longer rely on brand loyalty to ensure a loyal customer base as consumers are very willing to switch providers in search of the best service. Customer service is no longer being driven by the process efficiency but it is driven by the demands of the customer base for a business to employ a specific service or channel that meets the needs of the client. This creates a massive gap between what banks are offering in terms of communication channels available to consumers and the wants of the consumers in terms of service satisfaction, time efficiency and ease of use.

Customers are starting to demand the implementation of specific communication channels in the banking industry. This means that banks are no longer driving the industry to achieve customer satisfaction within strategy boundaries. Banks are seeing the need to catch-up with the technological advances and implement new communication channels that take advantage of the technology, such as with mobile apps. Consumers want to interact with their bank, but it is now occurring on the customer’s terms.

The consumers have qualitative wants that need to be fulfilled by financial institutions. They place demands on banks which cannot be extrapolated through transaction data but can be acquired through the use of surveys. Surveys will give a broad overview of the demographics of South Africa’s banking population and their requirements in terms of customer service through the various communication channels. These qualitative needs will serve to indentify the benchmark and best practices as used in the industry.

Through the data gathered in the surveys, a specific market segment will be chosen as the basis to evaluate a specific communication channel. The misalignment of business strategy against the qualitative wants of the market segment will be evaluated through the use of gap analysis.

Gap analysis will bridge the difference between the qualitative requirements of consumer demands and the quantitative resources required. This will be the source for the business model to bridge the communication gap to provide a meaningful service level to customers.

A predictive analytics model is costly and very time-consuming; therefore it will be outside the scope of the project. Although an in-depth predictive analytics model is beyond the scope of this project, the data gathered through the surveys can create the basis for future planning to create the best experience in the eyes of the customer.

FIGURE 7. CONSOLIDATION OF INFORMATION

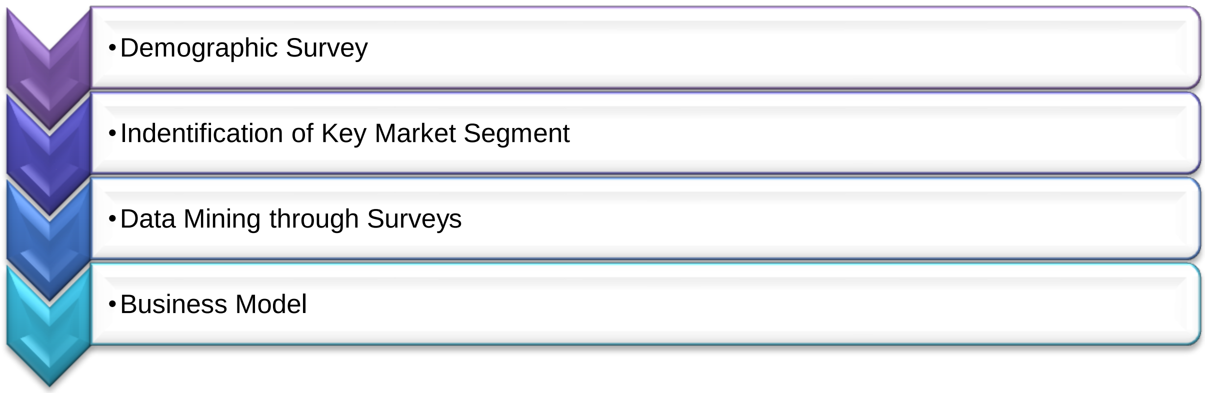


Figure 7 shows how the data gathered will filtered to create the business model applicable to customer service within the banking sector. The model will be central to addressing the misalignment for quality service from the chosen communication channel. The model will be “customer-centric” which is different from the historical concept of strategy driven business modeling. The first phase of the project will investigate the demographics of bank users. The scope will concentrate on one specific market segment using a specific channel of communication. The information gathered in these two phases will be the core for a gap analysis to build the business model.

The business model will streamline customer service to provide a single customer service experience, streamlining the process to create visibility across the service framework. Customers expect a high-quality, precise yet imaginative customer experience and it is the responsibility of financial institutions to fulfill these demands.

4. Investigating Customer Experience in the Financial Industry

Ninety percent of financial transactions are done electronically today (King, 2010). Thus it can be interpolated that banks which have historically prided themselves on being branch-orientated will not find it easy to adapt to the new consumer style.

Consumers are becoming more computer-literate and dependant on the interaction between technology, financial freedom and ease of self-service. Therefore, banks must react proactively in providing channel options for their consumer share. “The impact of the Internet and mobile devices has made the rules in managing channels and how we reach customers a moving target” (Daniel, 2010). Banks have to learn that channels are just ways to reach out and engage with customers, but ultimately, consumers will want to personalize the use of communication channels to their own needs and wants.

Customer experience is a complex exchange between many qualitative brand identifiers. Thus, if a bank provides a great branch customer experience but provides a mediocre digital customer experience, the branch experience is redundant.

Banks cannot remake or copy a past customer experience, the best or the worst customer experience is possibly always the first encounter. If, for example, a personal banker serves a client a cappuccino and the client is impressed with this, it is a positive customer experience but nevertheless, a bank cannot remake the experience. If the same client came in again and he receives the same level of service, it will not leave the same impression on him the second time round. It will become an ordinary event. This is where the difficulty lies within creating a great customer experience (Steyn, 2012).

4.1. Consumer Trends and Responses to Banking Experience Survey

To effectively benchmark customer service experience, a survey was created and sent out to a target group at the University of Pretoria. The survey was completed by 174 respondents and gave valuable insight into the perception of customer service through the viewpoint of a Generation Z consumer. The responses were then translated into a quantitative benchmarking business model which will be discussed in Chapter 6.

The average consumer whom completed the survey had certain distinctive traits in common. The respondent:

- Grew up surrounded by technology during the information age
- Became accustomed to using and interacting with various methods of electronic communication, for example, telephone, mobile, SMS, internet, apps.

Generation Z consumers relate to what they read on social media sites and trust the information given to them by their peers through networking than through traditional peer-to-peer interactions (Armstrong, 2010).

Validation of the statement that “customer service experience is starting to become the only differentiator between banks” was done in two parts. Firstly, evaluating how consumers respond to their banking experience and secondly by how banks handle or create a distinctive customer experience.

Consumers are starting to expect more "timely and efficient service from service providers" (King, 2010). Consumers are looking for "instant gratification" from their daily lives and this transcends to their interactions with their chosen financial provider.

The two major phases that have been identified which have had an effect on the behavioral changes seen within the financial industry are (King, 2010):

- The psychological impact of the information age and the human interaction with ever-advancing technology.
- The process of innovation and the carry-over into society.

These have been facilitated by the advent of the internet into homes, the increasing number of smart mobile devices and the consumer movement towards electronic payment methods.

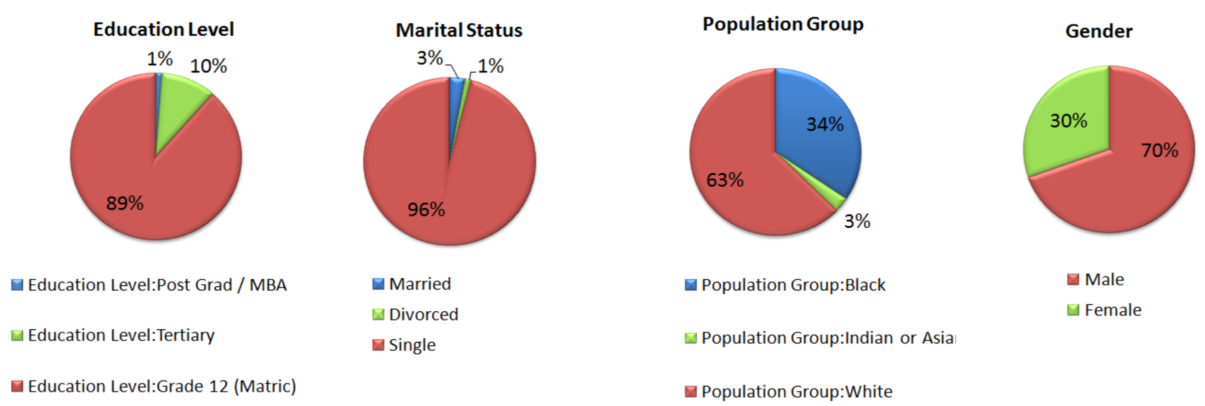
The first step to understanding the interaction between banks and consumers is to evaluate the specific facets of customer service experience. This was done using an online survey aimed specifically at University students, as this was the most accessible generation and is definite part of Generation Z. The survey was hosted online and potential respondents were asked to participate through the University.

4.1.1. Demographic Survey Results

The survey was broken down into various parts; the first part identifies the respondent in terms used by Statistics South Africa when capturing census data. The information gathered includes: age, gender, individual and household income, nationality, age group bracket, education level, marital status and population group, among others. This information will help to clarify whether the respondents are in the correct target bracket for the survey, specifically; higher educated young people whom are computer literate. The results of the survey are shown in the tables and figures below.

The information will act as a baseline demographic for the target market group. This information will then be broken down even further in the Gap analysis, for example, the specific requirements associated to supply a satisfactory customer experience for a higher educated, single black male.

FIGURE 8. DEMOGRAPHIC PIE CHART RESULTS



The survey shows that most of the respondents fit into the target group required by the investigation, with all respondents having at least matriculated from high school and the respondents come from a wide range of society in terms of racial and gender profiling. This all aids in making the results of the survey as accurate a representative of the generation as possible.

Demographic	Description	Number of Respondents	Percentage
Survey Responses	Total Participants	174	100 %
RSA Resident	Yes	171	98 %
	No	3	2 %
Gender	Male	121	70 %
	Female	53	30 %
Education Level	Post Grad / MBA	2	1 %
	Tertiary	18	10 %
	Grade 12 (Matriculated)	154	89 %
Marital Status	Married	5	3 %
	Divorced	2	1 %
	Single	167	96 %
Population Group	Black	60	34 %
	Indian or Asian	5	3 %
	White	109	63 %
Dependents	Yes	11	6 %
	No	163	94 %
	Number of dependants:	27	-

TABLE 1. DEMOGRAPHIC SURVEY RESULTS

The overall demographic information of all the respondents is shown in Table 1 above and the age distribution of respondents is shown below in Figure 9. The age of respondents is as expected as there is very little deviation from the expected age of most university students.

FIGURE 9. AGE OF PARTICIPANTS

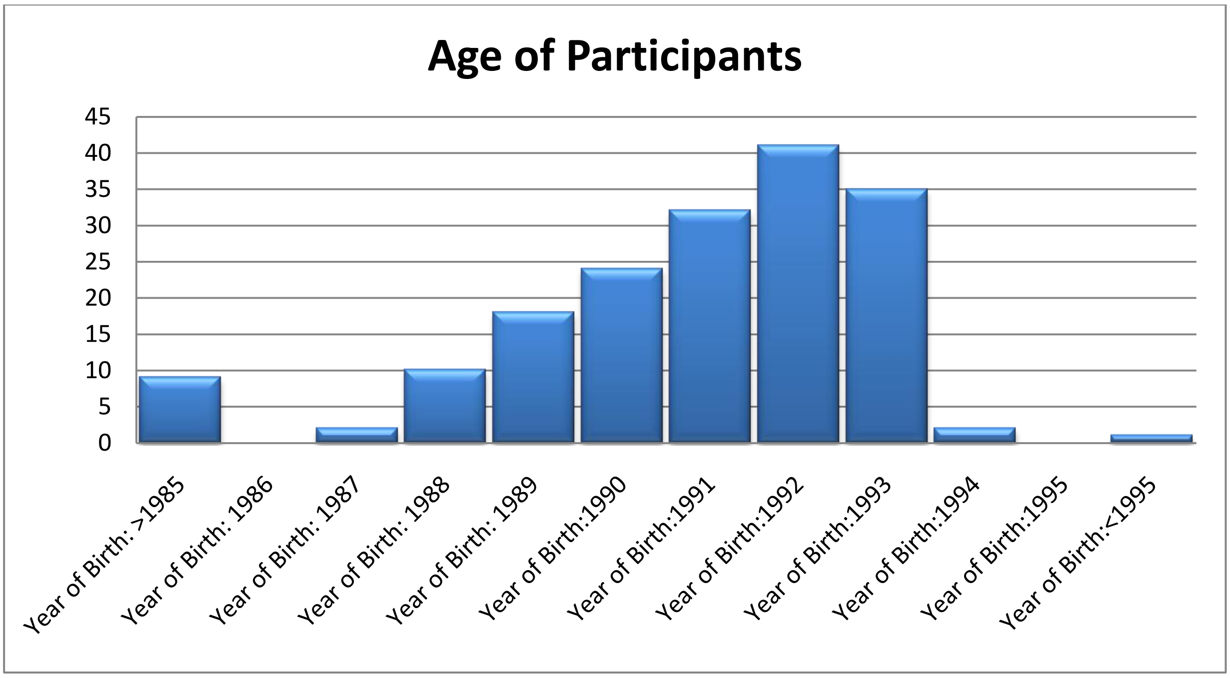


TABLE 2. INCOME BRACKETS

Income Bracket per month	Individual Data		Household Data	
	No. of Respondents	Individual Percentage	No. of Respondents	Household Percentage
Less than R10 000	165	95%	92	53%
R10 000 - R20 000	6	3%	17	10%
R20 000 - R30 000	1	1%	8	5%
R30 000 - R40 000	1	1%	17	10%
R40 000 - R50 000	0	0%	15	9%
R50 000 - R60 000	1	1%	5	3%
R60 000 - R70 000	0	0%	6	3%
R70 000 - R80 000	0	0%	2	1%
R80 000 - R90 000	0	0%	3	2%
R90 000 - R100 000	0	0%	4	2%
R100 000 - R150 000	0	0%	3	2%
Upwards of R150 000	0	0%	2	1%

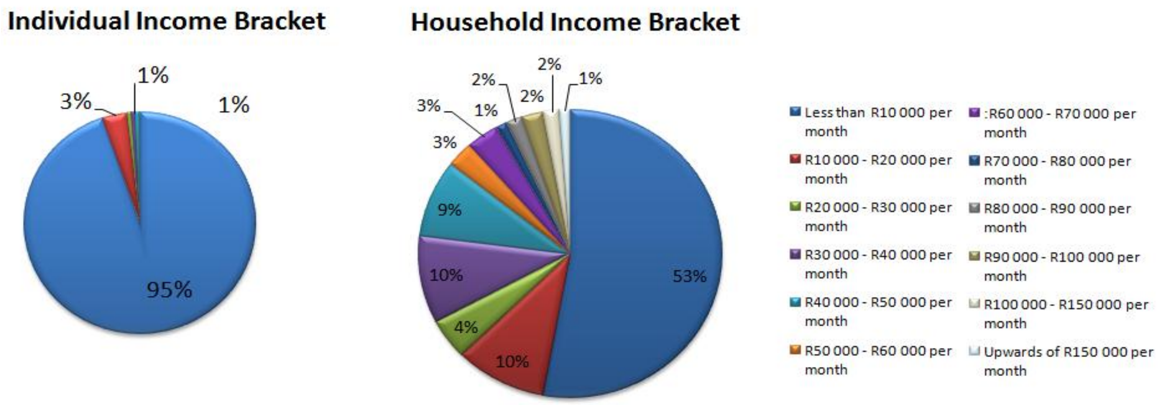


FIGURE 10. HOUSEHOLD AND INDIVIDUAL INCOME BRACKETS

The household and participant income bracket of respondents is shown in Figure 10 and Table 2. This ensures that the respondents cover a wide bracket within the target market share. Respondents come from all facets within the South African demographic, from a high income household to low income households.

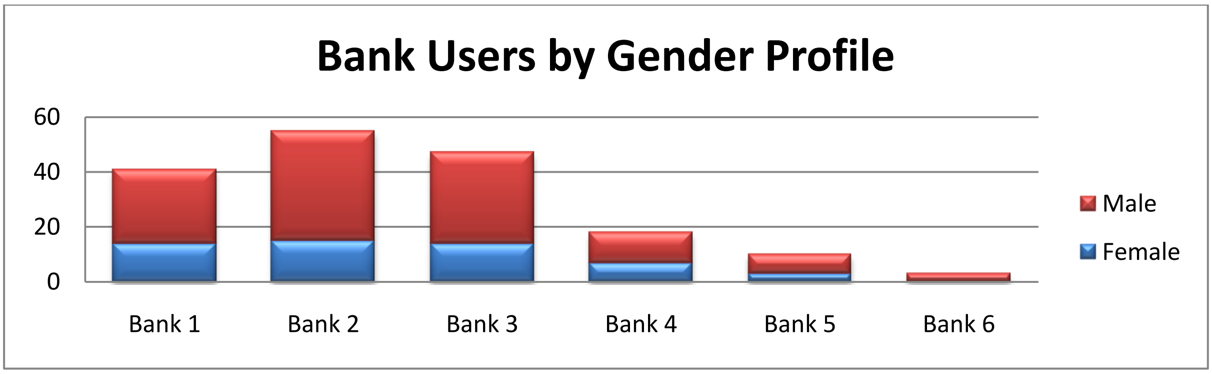
To give a summary of respondent data; the median age of participants was 21 (YOB: 1991) and mode age was 20 years old (YOB: 1992). Nearly 87% of participants had, at the very least matriculated from high school. The respondents cover all key demographic areas, as specified in the Statistics South Africa Census Review, in terms of gender, population group etc. This means that the results generated from the questionnaire attached in Appendix A

can be extrapolated to be the wants and needs of the Generation Z bank users. The majority of respondents is computer literate, young and still in a developmental stage of their lives, in terms of career or education.

4.1.2. Bank User Profiling

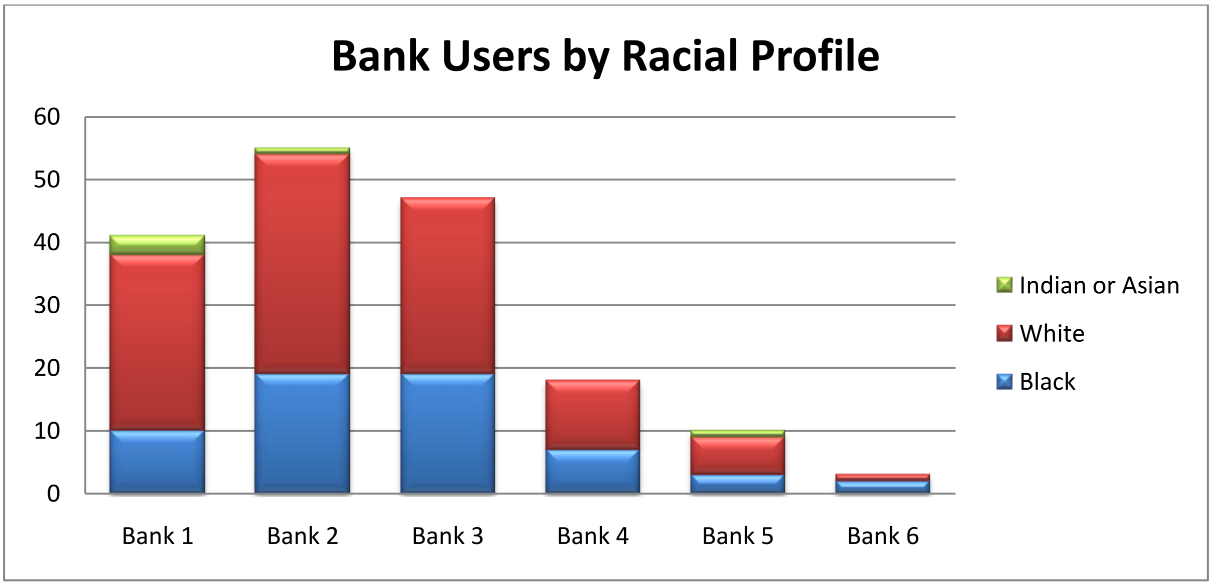
The next phase of survey analysis was to evaluate the respondent answers in terms of their banking profiling. This was done in order to evaluate whether specific problems were linked to specific financial institutions or whether it was a broad-based problem that most consumers within the bracket struggle with. Figure 11 and Figure 12 shows the breakdown of bank users per bank in terms of gender and then population group.

FIGURE 11. BANK USERS



Male respondents represented 70% of the number of survey respondent. This is reflected on the breakdown of numbers between the banks as shown in Figure 11 and the breakdown according to population statics is shown in Figure 12. The figures are not a true reflection of the South African demographics as population statics for Gauteng are as follows: Black (77%), White (22%) and Indian or Asian (2%) (Statistics South Africa, 2007). Whereas the survey has the following respondent distribution: Black (34%), White (63%) and Indian or Asian (3%). The variance can be explained by the market segment that the survey has targeted; a higher educated student whom is computer literate. Another factor is that the survey was sent out to the Engineering, Built Environment and IT (EBIT) faculty of the University of Pretoria. This field is historically a male dominated field and therefore the number of higher educated youths that responded to the survey will not be a true reflection of the overall population statistics of South Africa but will still provide valuable market insight.

FIGURE 12. BANK USERS BY POPULATION GROUP



4.1.3. Product Survey Analysis

The next set of data that needed to be investigated was the specific bank and communication channels employed by the Generation Z consumer. These give an indication of how the generation generally interacts with banks. Figure 13 below shows the banks that have been identified and Figure 14 shows the demographics of each bank as per the survey results.

FIGURE 13. BANK USER PROFILE

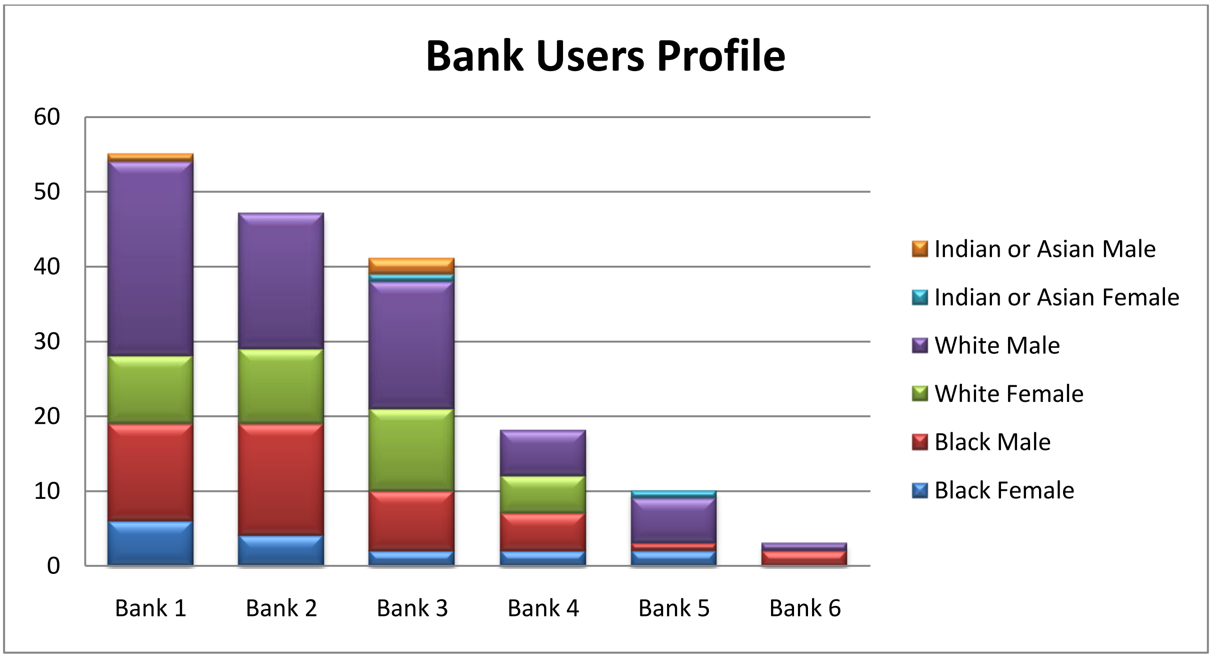
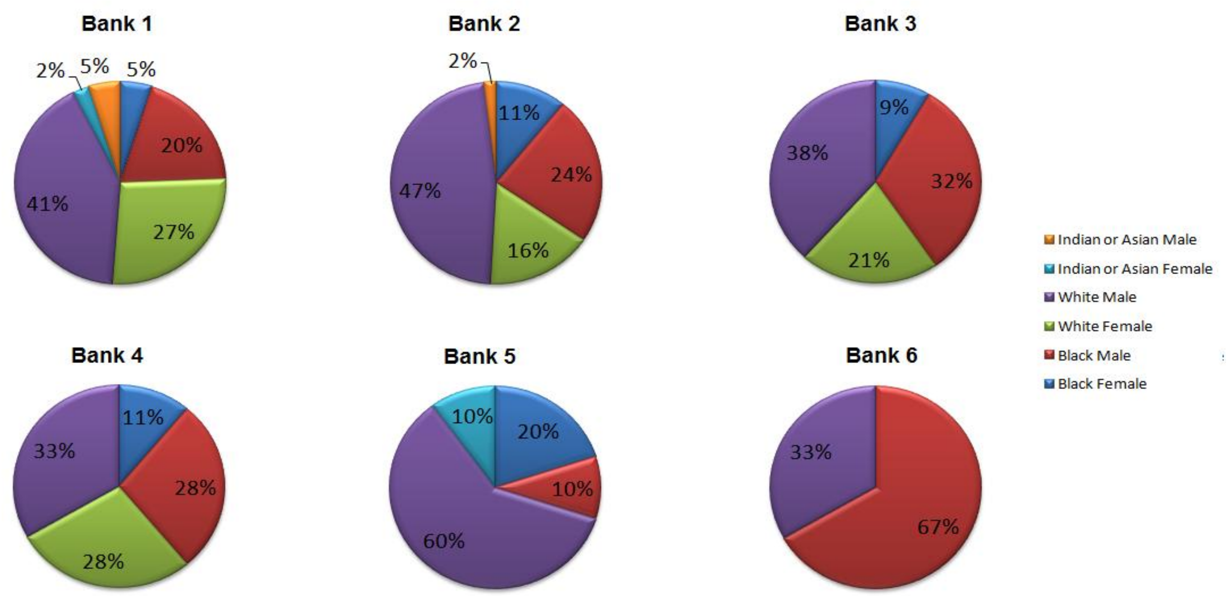
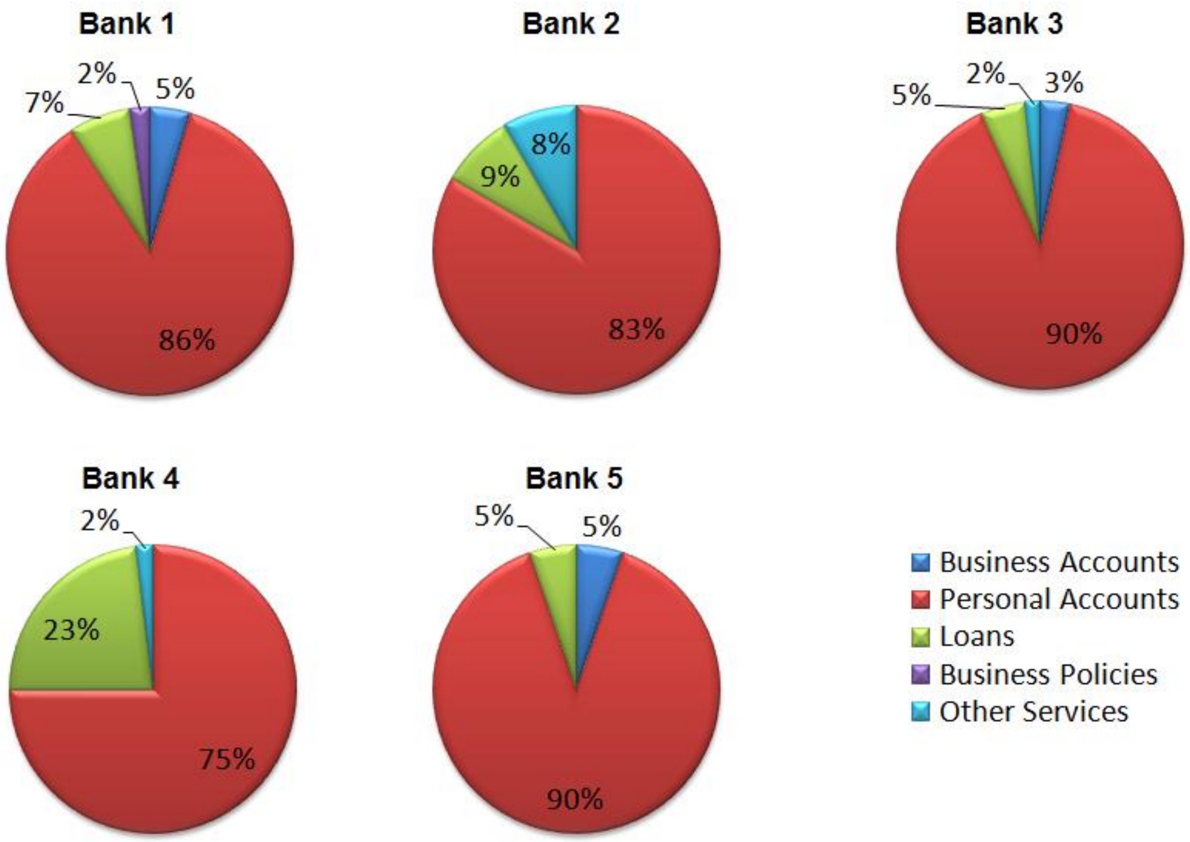


FIGURE 14. PIE CHART ANALYSIS OF BANK USERS PER BANK



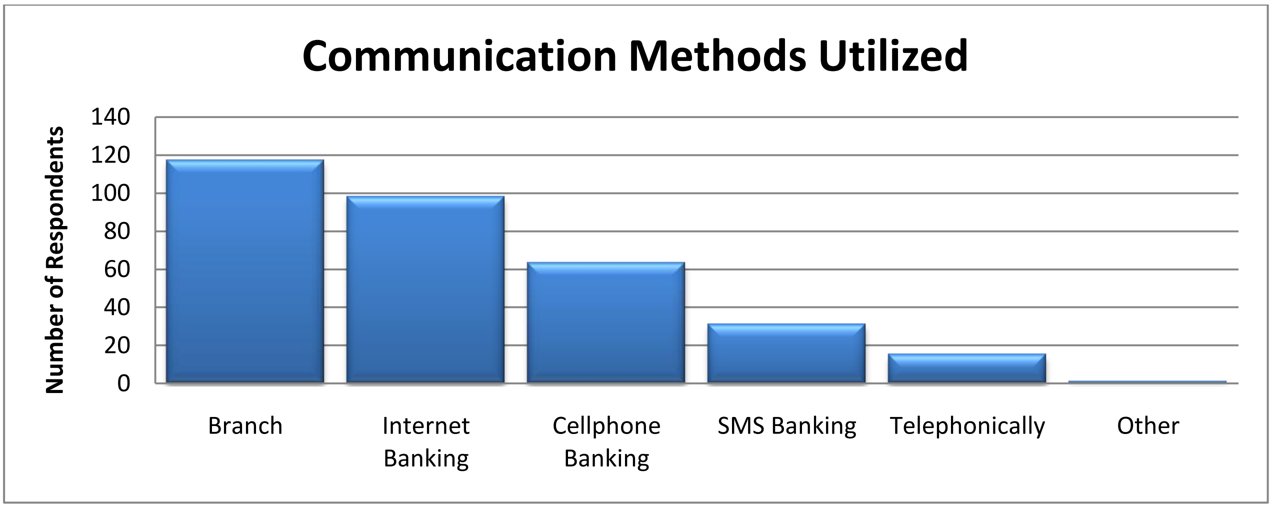
It can be seen that the respondents represent consumer from all the major banks within South Africa. Figure 15 shows what type of products are used by consumer and it can be seen that most consumer that interact with their bank do so purely to satisfy their personal banking needs in terms of savings account, student accounts and study loans. This is expected from this generation as most do not generate an income or contribute to the GDP of the country, but are still in the development stage of their tertiary education.

FIGURE 15. PRODUCTS USED BY RESPONDENTS PER BANK



The respondents use a variety of methods to communicate with banks. Figure 16 shows that the vast majority of consumers in this bracket still use branch banking to communicate with their bank. However, it can also be seen that most respondents use more than one channel of communication which implies that they use the communication channel which is most convenient for them to ensure a successful interaction with their bank.

FIGURE 16. COMMUNICATION METHODS



4.1.4. Service Quality

This part of the survey rated the general service expectations of the respondent through the different facets of their interaction with the bank. The products that banks offer and the specific service qualities are not part of the scope of this project. However, from the bank's point of view, the consumers' product service expectations may be independent from the service expectation related to the communication channel used by the consumer. On the contrary, a consumer has a single view of their banking experience as has been previously stated. Therefore if the service expectations of the product are not met, it will reflect badly on their entire interaction with the bank and a consumer will not differentiate between the product and the communication channel service experience.

FIGURE 17. BANKS MEETING SERVICE NEEDS

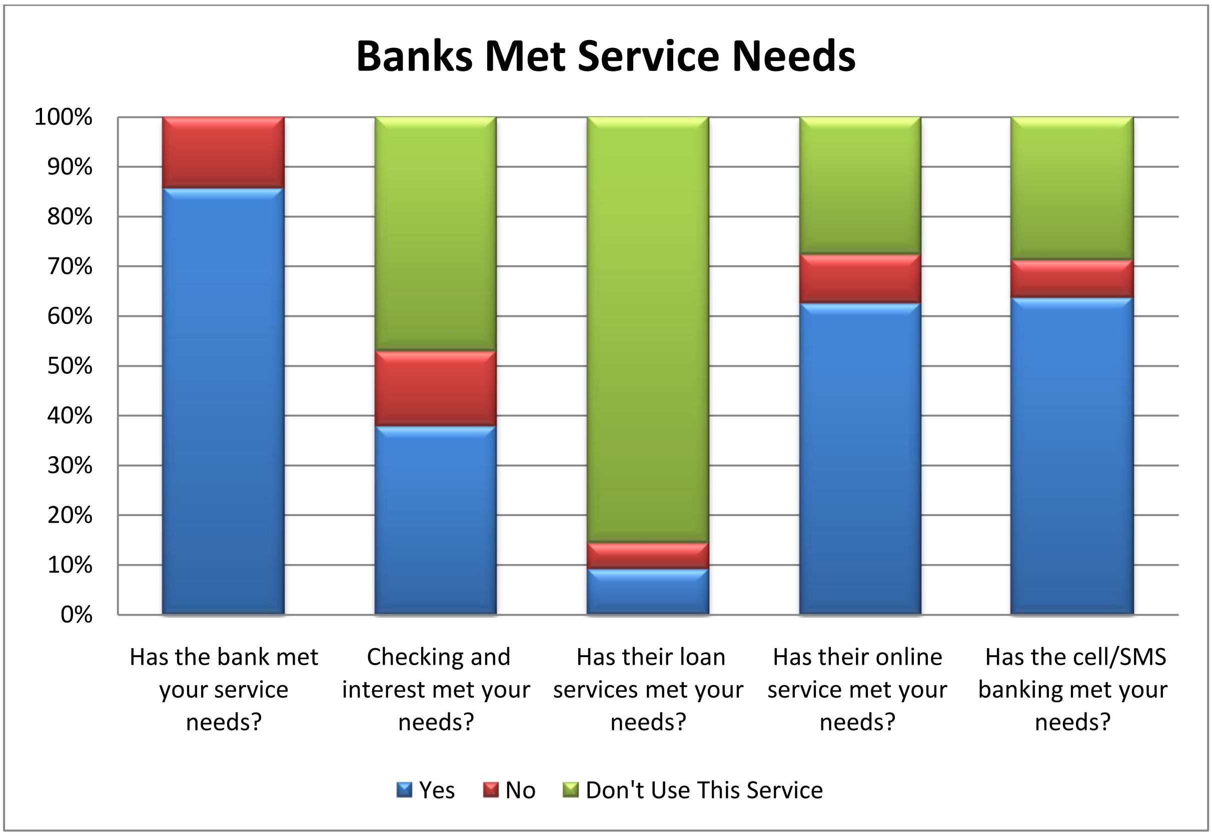
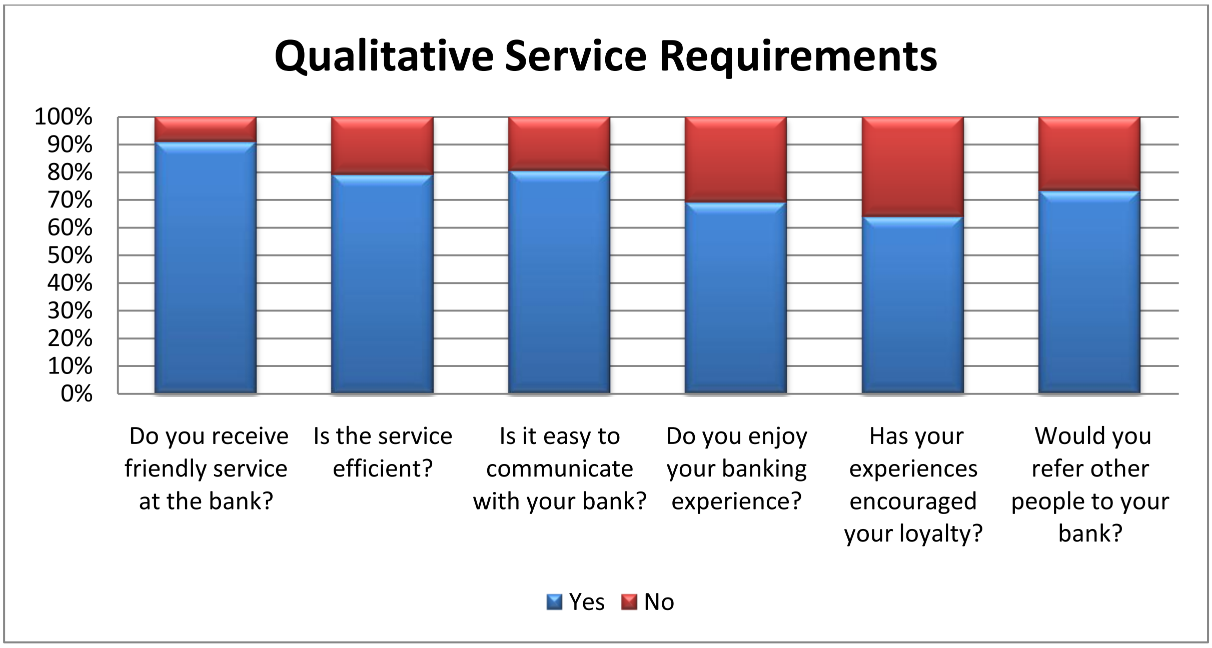


Figure 17 shows the overall respondent satisfaction ratings of the bank as well as the general product satisfaction level of users. On the whole, over 80% of respondents are happy with the service that they receive from their bank of choice. This information may be used in conjunction with the answers given with respect to specific service indicators to reflect the overall characteristics that make a communication channel effective.

FIGURE 18. QUALITATIVE SERVICE REQUIREMENTS



A notable indicator of the effectiveness of how customer service experiences are modeled can be seen in the respondent reply for "Do you enjoy your banking experience?" Although consumers generally feel that they receive efficient and friendly service, 31% of respondents do not enjoy their banking experience. This indicates that customer service experiences are not benchmarked towards the customer demands in the system, but rather to the perceptions that banking models have assumed for customer base responses to service.

FIGURE 19. REASONS WHY RESPONDENTS BANK WITH THEIR BANK

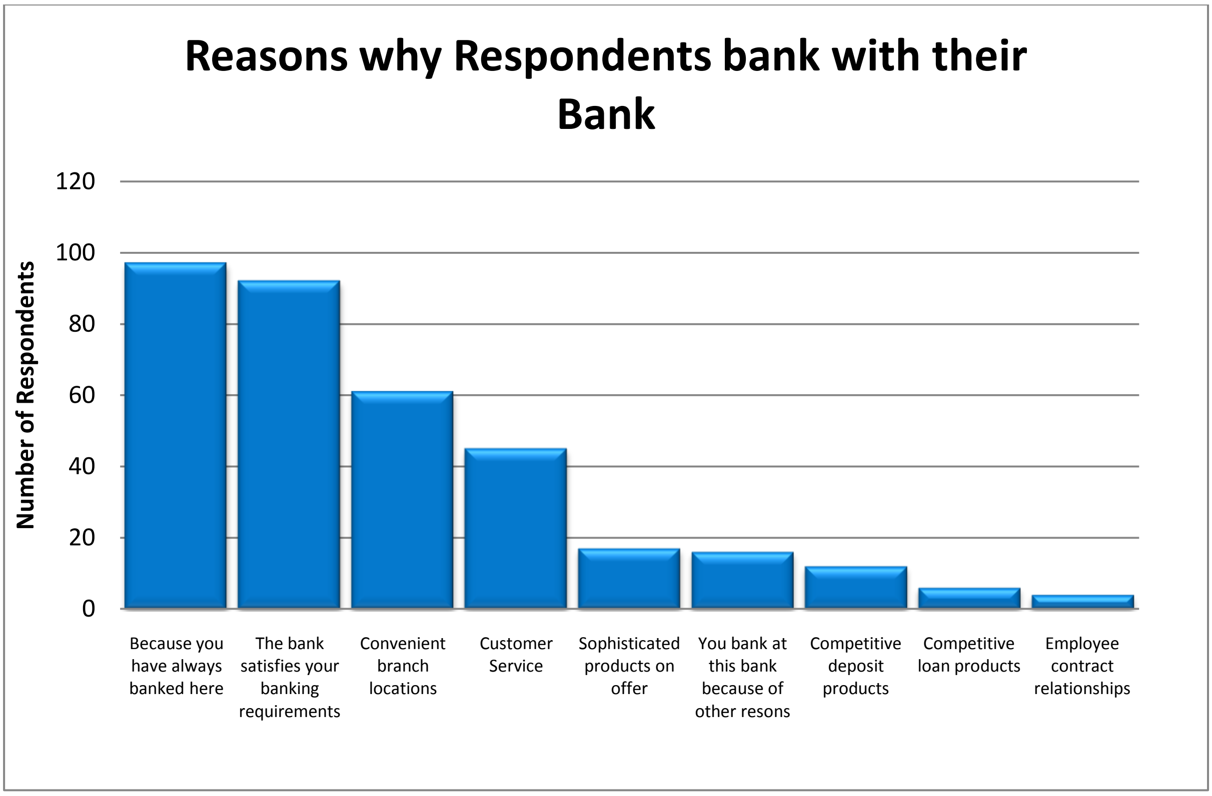


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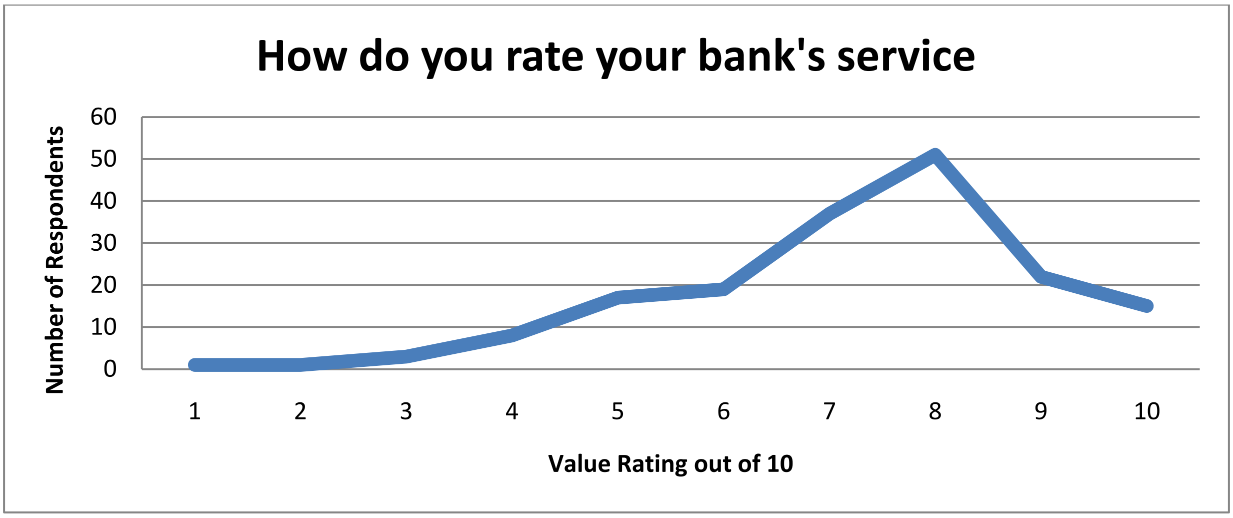
Figure 19 shows the responses garnered from the reasons why respondents bank with their specific bank. This question had specific answers coupled with it and allowed respondents to expand on their selection. The question had a mixture of qualitative and quantitative reasons as to why a consumer will choose to bank with a specific bank. The major quantitative reason given for banking with a specific bank was that of “ The bank satisfies your banking requirements” and the qualitative reason given for banking with a specific bank was that they had always banked with the their specific bank and the service given to them as a customer. This suggests that from the consumer perspective, a customer service experience does not guarantee consumer loyalty or that a reputation for great customer service will switch consumer loyalty.

4.1.5. Communication Channel Survey

As was seen in the previous section, many respondents do not put a specific value to their interactions with their bank of choice. This is self-evident in A notable indicator of the effectiveness of how customer service experiences are modeled can be seen in the respondent reply for “Do you enjoy your banking experience?” Although consumers generally feel that they receive efficient and friendly service, 31% of respondents do not enjoy their banking experience. This indicates that customer service experiences are not benchmarked towards the customer demands in the system, but rather to the perceptions that banking models have assumed for customer base responses to service.

Figure 19 indicates that most respondents bank with a specific financial institution because they have historically always banked there, but nevertheless, banks need to be aware that this relationship does not promote brand loyalty within this market group. Therefore it is important to rate bank service experiences. Figure 20 shows how the respondents rated their bank’s service. The rating scale had an average of 7.2 and mode at 8. This indicates that most consumers in the market segment are satisfied with their banking experience and that they do not spend much time interacting with their bank of choice in a negative manner.

FIGURE 20. RATING OF BANK SERVICE



A quantitative measure of customer service experience is a valuable resource which, when properly utilized can help benchmark qualities that aid in providing a positive customer service experience. This helps rank qualities which are the most influential and which qualities are normally neglected by financial institutions when modeling the approach for a positive experience.

FIGURE 21. BRANCH BANKING SERVICE EXPERIENCE

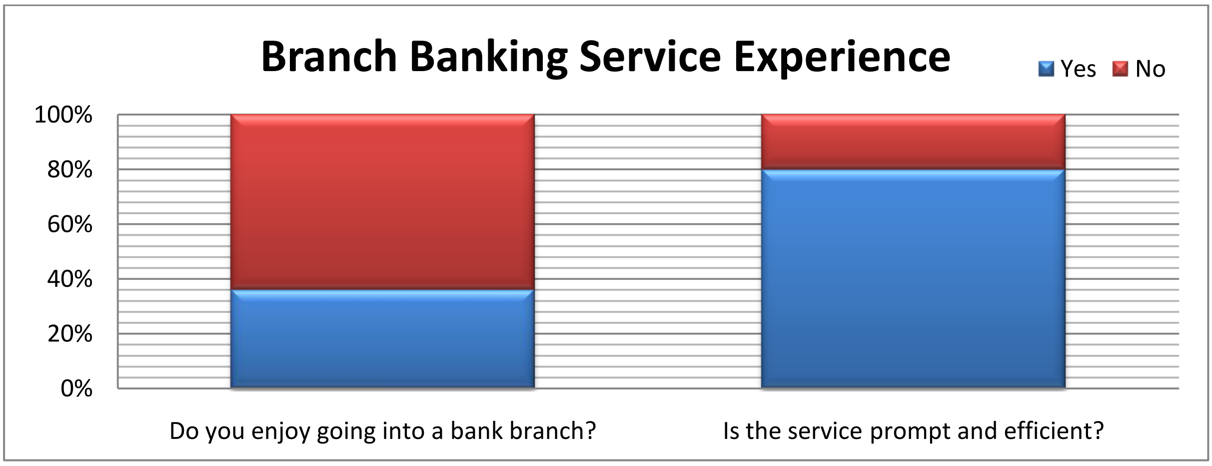


Figure 16 showed which communication channels most respondents used to interact with their bank of choice. The communication channel most respondents used was that of branch banking. This communication channel has always been seen as the pillar in the banking world but only 35% said that they enjoy branch banking. The respondents to the survey were then asked to indicate the top reasons as to why they use this channel. Only 14% of respondents used this channel because of the face-to-face or personal interaction that this channel creates. Almost 30% of respondents needed to personally hand-in documents to the bank and another 22% did not know how else to interact with their bank in order to ensure a successful interaction. This indicates that consumers have not been properly informed about the capabilities of various communication channels, nor do banks have proper record keeping as many respondents indicated that they had previously handed in the documentation to the bank.

FIGURE 22. REASONS WHY RESPONDENTS USE BRANCH BANKING

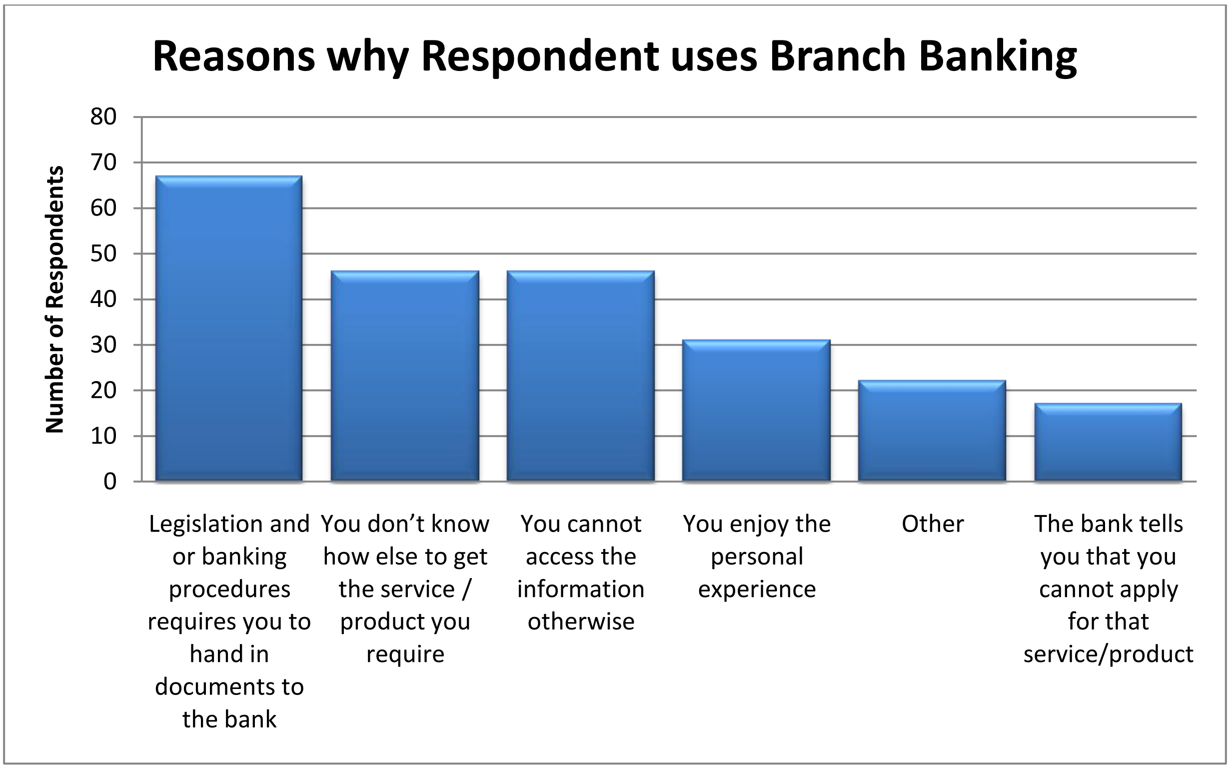


Figure 22 shows that although most respondent still use branch banking as a preferred type of communication channel, they do not specifically choose this channel because of the its accessibility or ease of interaction capabilities. Most consumers are forced to use this channel due to legislative requirements or the lack of accessibility in other communication channels.

TABLE 3. CAPABILITIES OF COMMUNICATION CHANNEL (KING, 2010)

Channel	Gather Information	Analyse and Evaluate Options	Develop Plan	Execute Plan	Monitor and Service
Phone	X	X	X	X	X
Face-to-face	X	X	X	X	X
Internet	X	X			X
Branch	X				
Other	X		X		X

Table 3 is an indication of the capabilities of certain communication channels. It can be seen that different communication channels are more apt than others to certain user requirements. However, it has been noted that financial institutions cannot train their market base to utilize specific communication channel in order to promote ease of access and service rate. Consumer will choose the communication most available to them and one which they believe will be the most effective in allowing the consumer to achieve their end objective.

FIGURE 23. COMMUNICATION CHANNEL USAGE

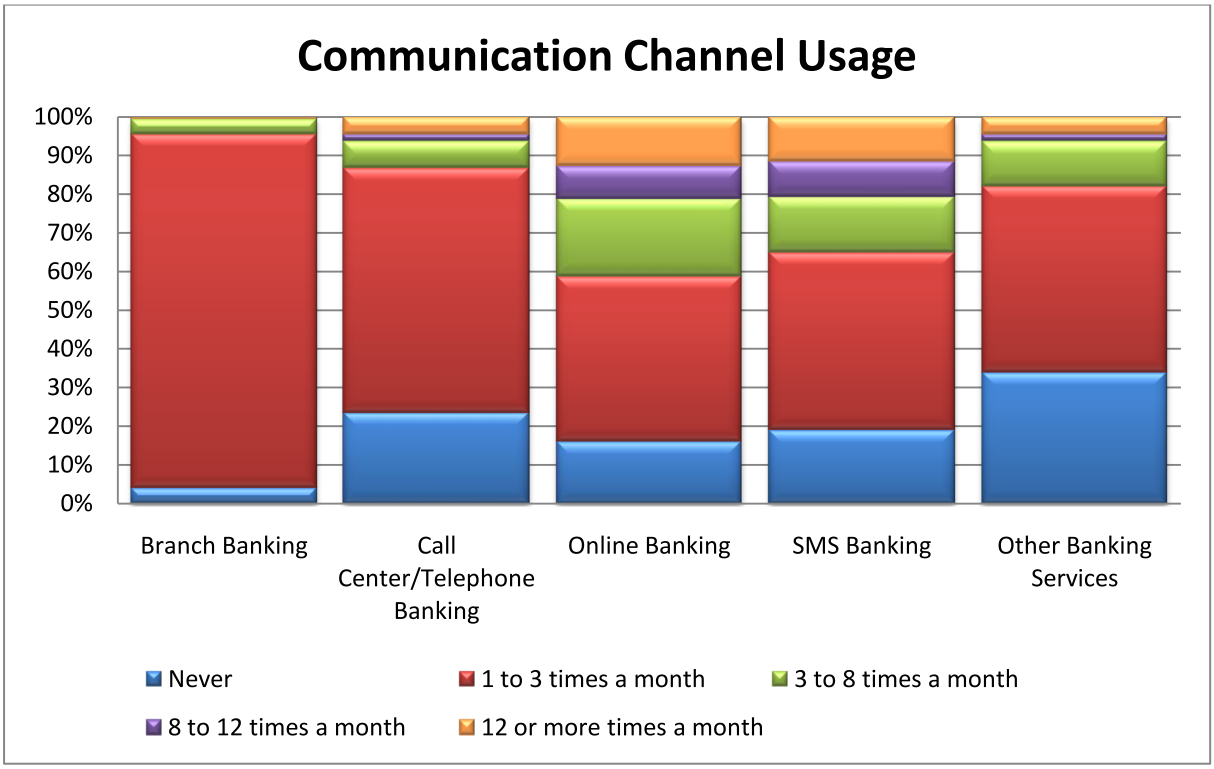
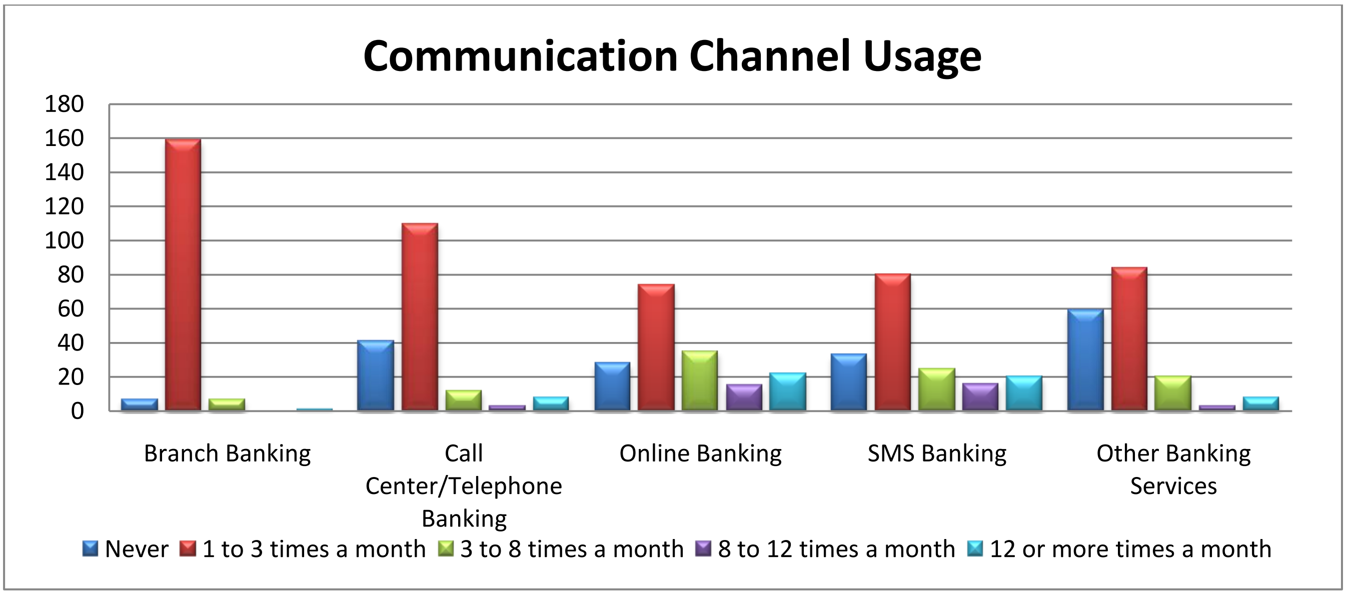


Figure 23 and Figure 24 show the usage of communication channels by respondents. It can be seen that most respondents minimize the number of interactions they have with their bank. Traditional branch banking has been identified as the communication channel that is used most frequently by consumers but over 90% of respondents do not use this channel more than 3 times a month. However digital communication channels are used far more frequently and online banking is preferable for consumers whom interact with their bank more than 3 times a months, second to this is SMS banking. Both of these channels are self-service digital portals that allow consumers the freedom to manage their own transactions.

FIGURE 24. COMMUNICATION CHANNEL USAGE, EXPANDED VERSION



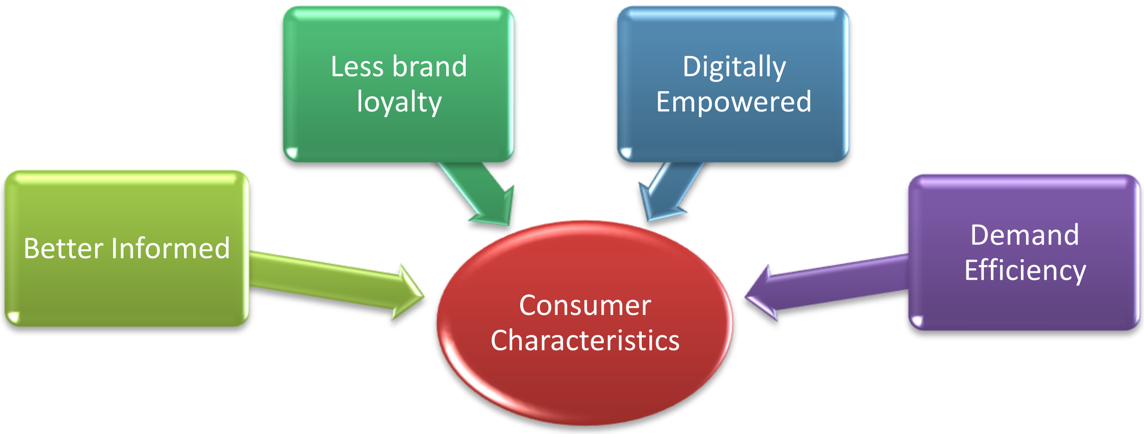
4.2. Respondent Inputs from Survey Analysis

Customers are expecting so much more from their relations with their bank. Instant gratification and access are the main demands that have been listed by the normal consumer. Consumers have been empowered by the greater choice and access and the better, faster and more efficient methods of communication, delivery and service (King, 2010). The final segment of the survey was to allow the respondent to give their views on certain topics such as the attractors and detractors of a bank. These responses gave valuable market insight into the views of the consumer.

Customers have become empowered with the development in technology, this is self evident in the fact that the survey was only done online and 174 respondents completed the survey after only being notified of it via e-mail correspondence through the University. One specific response to the question: "How can your bank service you better?" stated: "Forget the 'extra mile', do what you offer in a timely fashion and cut the red tape. The less I need to go into the bank the better."

Consumer characteristics have changed over time and the main changes that have occurred due to the advent of technologically powered communication channels are shown in Figure 25 below.

FIGURE 25. CONSUMER CHARACTERISTICS



Consumers expect a level of self control in their dealings with banks, which is aided with the use of touch points. Simply looking at the demands of consumers and the way in which Generation Z consumers interact in their daily lives, it seems that if banks don't adopt technology at the same rate that consumers are; traditional banks are then at a disadvantage to intermediaries or competitive banks that see the benefit in innovation and become more agile.

There were various user-input questions given in the survey. Three of which related to the qualitative responses a consumer might have to a bank such as: "What do you like about your bank?" "What don't you like about your bank?" and "What will make a bank stand out for you?" Responses to the first two questions varied between banking charges, waiting times, disinformation given by banks and the level of service given to consumers.

None of these issues are 'light' issues as they give insight into what consumers attach to their banking experience but the third question: "What will make a bank stand out for you?"

received a unanimous response: a bank's ability to create a great service experience. Less than five respondents mentioned products, but over 64% of respondents specifically felt that the service experience given to them was the key factor by which they judged a bank. Another 8% felt that the aesthetic appeal of the bank was a deciding factor, only 22% mentioned the products offered by the bank and 5% felt that there was no definitive factor by which they judge a bank.

It can be seen that consumers place certain demands on financial institutions in terms of providing an acceptable customer service experience. Consumers judge a financial institution on their customer service experience. However, it has been noted that when it comes to brand loyalty, most consumers do not feel that customer service is an overwhelming factor that will make consumers market a specific financial institution to other people.

Financial institutions find consumer responses an invaluable tool when creating an acceptable customer service experience model, but in the end, it is the onus of the financial institution to implement customer experience strategies correctly.

5. INVESTIGATING CUSTOMER EXPERIENCE FROM THE BUSINESS PERSPECTIVE

Chapter 5 deals with the business-centric side of the investigation, compared to Chapter 4, which insight into the consumer market. Chapter 5 delves into the thought process behind modeling a customer service experience. This was done by interviewing various branch managers, floor managers and consultants within the banking sector. The people interviewed specifically handle and build customer experience interactions for various communication channels. The interviewees have vital insight into the market and can be considered experts in creating satisfactory customer experiences in the financial industry. They specifically deal with the 'human interaction' side of building a successful banking model. The results shown below are an indication of how the experts view the current state and future within the banking industry for providing a suitable customer service experience through the use of communication channels.

The interviews followed a set format by using a quantitative survey which can be found in Appendix B. This business-centric customer experience survey was built on information gathered during the data collection phase. The questions were based on the type of service expectations, requirements and application of these requirements which have been found to be directly linked to creating a satisfactory service experience. Customer experience factors that were evaluated by the survey include: how customer experience interactions are modeled, the effect of technology on the customer experience and the utilization of communication channels, attractors and detractors for a satisfactory service experience and key indicators for customer service and communication portal capabilities, among others. These results were then compared to the data in Chapter 4 to create the model seen in Chapter 6.

5.1. BANK REFORMATION IN TERMS OF BUILDING A CUSTOMER EXPERIENCE

Banking is considered a very traditional business with steady demand and relatively stable business structures, but this is no longer the case. In the financial industry, more drastic changes have occurred in the last 10-15 years than in the previous 100 years (Armstrong, 2010). This is mainly due to the influence that technology has had on the industry.

Technology has empowered the consumer and allowed consumer to dictate the manner in which they choose to communicate with their financial institution. Through comprehensive consumer studies, it has shown that banks cannot "train" consumer to use interfaces in a specific manner or to choose specific channels for certain types of transaction processes. The main point that has surfaced through the studies is that the modern consumer will always choose the channel that has been proven to be the most effective method to reach their desired solution in the quickest and most efficient manner.

Consumers will not choose branch banking unless a human interface is the most effective or the only way to complete a transaction process. The "service" element is no longer a defining aspect for consumers choosing a communication channel. "Customers simply want a great banking service, tailored to their needs and in a timeframe that works. In other words, a total customer experience" (King, 2010).

As "customer experience" is becoming a key differentiator between banks and forward thinking banks are moving away from relating this to "customer service," it is pertinent that banks understand the difference between the two. Distribution strategies and brand alignment does not necessarily mean that a bank is providing a meaningful banking experience to their market share. Nonetheless, there are certain attributes that can be seen to best describe a great customer service experience. These attributes are specifically linked to the financial sector and can be described as the key indicators for providing a holistic customer service experience. These are a combination of quantitative measures which rate customer experience and allow banks to rate the service given to any specific market.

Table 4 shows the key indicators that have been described by consumers as being a necessity when creating a satisfying banking experience. These are all attributes of a great customer service experience and help consumer benchmark the level of service received. The list was then given to the experts in the field whom gave a rating as to the importance they place on the factors when creating a customer experience for a young, computer literate customer. It can be seen that all the indicators have received a high value rating. However, it is nearly impossible or not feasible to try to benchmark all attributes of a customer experience at a 10 as this would not be cost-economic or might not have any discernable impact on the targeted customer base.

TABLE 4. KEY INDICATOR OF CUSTOMER SERVICE

Key Indicators	Average Score out of 10
The bank providing special treatment when a client does business with them	7.2
Having customer service people who know the client's history based on information previously provided	8
The number of choices a customer has to receive service the way they want it	8
Being able to resolve issues/questions without speaking to a service agent	8.4
Recognition from the company for doing business with them	8.4
Product diversity	8.8
The amount of time it takes to completely read and understand the service agreements/literature that a bank gives to a client	9
Ease of access to service	9.4
Convenient times for accessing service	9.4
The amount of time it takes to completely resolve a client's issues	9.4
Choice of multiple communication channels	9.6
Waiting times to obtain service	10
Friendly and polite employees	10
Knowledgeable and well-informed employees	10
Having customer service people who can deal with my issue without having to refer me to another person	10
Service experience that matches the promises that a company made upfront	10

As it can be seen from Table 4, banks place emphasis on the image portrayed to the customer as the foremost concern as well as the personal interaction factors involved with non-self help portals such as branch and telephonic communication channels. On the other hand, banks are least concerned with providing a unique customer service which is adaptable towards the customer needs. This is not to say that it is not concern, only that it was rated at a low importance level.

5.2. TRADITIONAL BANKING MODELS

"Banking is necessary, banks are not" (Gates, 1994). This describes the epitome of the problem within banking models. Banks' organizational structure was built on firstly providing a branch-banking experience and never considered a customer-centric multiple channel approach. The problem that has plagued financial institutions since the inception of multiple channel utilization is that of internal communication. Many of the branch managers that were interviewed felt that financial institutions have a very strong Top-Down structure whereby all branch must follow the same setup structure without deviance to consider the needs of the general population which utilizes that specific branch. This approach ensures that the market image is consistent throughout the branches and any general customer can walk into any branch and understand where they will receive the service that they require.

On the other hand, the survey done found that 80% of bank managers feel that investing in creating a segment specific marketing strategy will improve the customer experience banking model whereas the latter 20% felt that the customer experience in banking should be modeled as a mass-market approach in order to facilitate the majority of clients. Of the 80% of banking experts, 40% felt that the ideal banking model for a South African market of young computer literate individuals should be built on that of a developed country. It is reasoned that this market share does not have the same preconceptions of banking as that of previous generations. They adopt technology at a much faster rate and thrive on the independence that it brings. However, no consensus was reached on the manner by which baking models are driven. Half of all banking respondents felt that the market was driven by model chosen explicitly by the bank, whereas, the other half felt that the bank chooses communication channels that are best adapted to handling customer queries in order to facilitate a better customer experience in terms of technology advancement.

5.3. THE EFFECT OF TECHNOLOGY ON CUSTOMER EXPERIENCE

Technology has had such an immense impact on the way people can use communication channels and the manner by which people interact in their day-to-day business interactions. Therefore, technology utilization is a key factor in providing a satisfactory customer experience. The manner in which a financial institution utilizes the capabilities of technology in terms of handling interactions and providing self-help portals to promote a unique customer experience could well be what differentiates one financial institution from its' competitors.

Certain concepts are applicable when modeling customer service experience. These concepts can become drivers in a financial institution's model approach and thus it is important to understand how these concepts are perceived by the experts in the field. Table 5 shows the manner in which a banking model can be driven through the adoption of these consumer-driven policies and technology adoption. This is especially important in creating a banking experience for Generation Z consumers. This generation thrives on the capabilities of technology to drive interactions by simplifying it and making it easier and faster. This generation has a close link with social media sites such as HelloPeter and Facebook. Therefore it will negatively affect a bank to ignore the capabilities and effects that a social media site can have on the market base and their perception of service from that bank.

TABLE 5. BUSINESS MODEL CONCEPTS IN TERMS OF TECHNOLOGY ADOPTION

Business Model Concept	Average Score Out of 10
Banks are pre-emptive in their adoption of new technology to provide a superior level of customer service	7.8
When evaluating communication shortfalls for a specific communication channel, customer perception of good service is important	8.2
Customer participation in pushing and demanding new technological advances for the effective communication between the bank and customer are promoted by the bank	8.6
Customers place a great demand on their service experience and have high expectations from their use of and interaction with the bank through communication channels	8.8
Advances in technology have an effect on customer service and the overall customer experience	9
Legal issues and regulations impact the way in which banks can communicate with customers and thereby has an effect on the customer's experience	9
Banks listen to the comments customers post on social media sites to improve their customer service experience	9.4

Figure 26 shows how technology affects customer experience and it can be seen that technology has a positive effect on the way which banks interact with the consumer base. Technology improves the link between the financial institution and the consumer and aids in providing a capable communication channel.

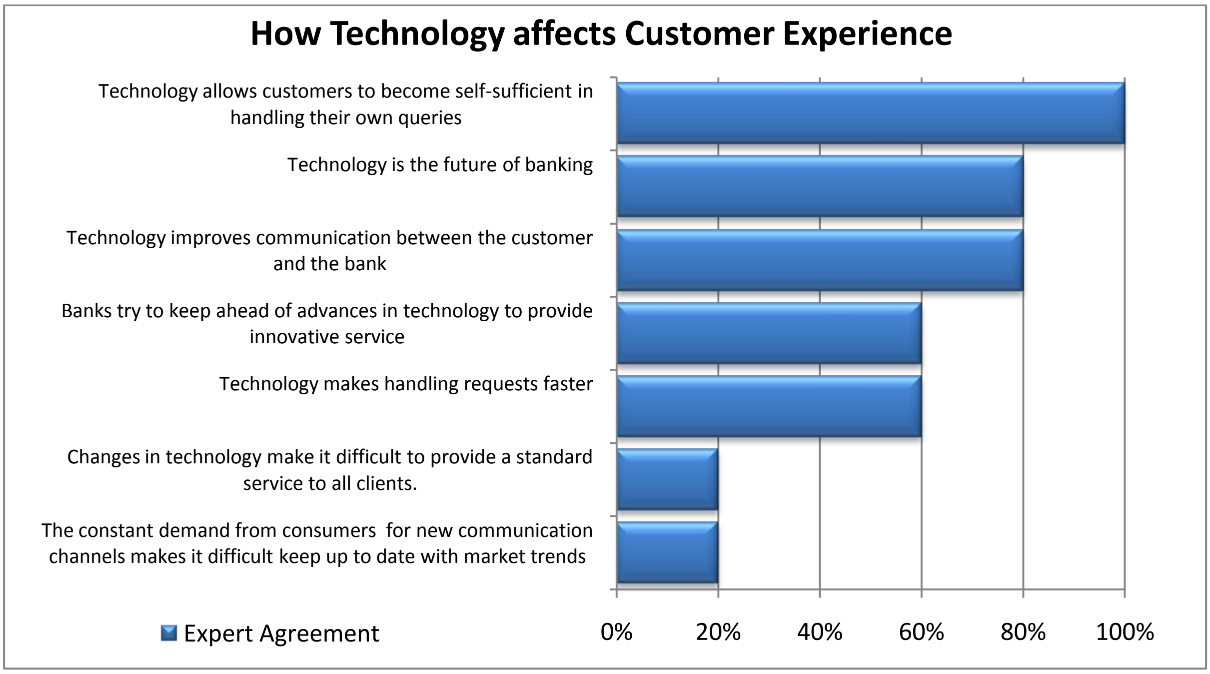


FIGURE 26. HOW TECHNOLOGY AFFECTS THE BANKING INDUSTRY

5.4. PERCEPTION OF CUSTOMER EXPERIENCE FROM THE BANKING PERSPECTIVE

As a key differentiator in the market, customer experience ratings provide a useful indication of how successful the bank is to providing the services implicitly demanded by a market share. It is very difficult for banks to objectively rate their own quality level for providing a customer service experience, but nonetheless, it is a survey that it done quite regularly using third party associates (Steyn, 2012). Table 6 highlights the importance that many experts place on various communication channels as well as the future trends that they expect to see regarding customer service experiences in the financial market.

TABLE 6. CUSTOMER SERVICE TRENDS AND INDICATORS

Customer Service Trends and Indicators **Rating:** Strong Disagreement: -2 Disagree: -1 Neutral: 0 Agree:1 Strong Agreement:2	**Perception**	**Value Rating**
Future trends predict that banks will become completely electronic with no face-to-face portals due to the advances in technology and the way in which this affects communication channel usage	Disagree towards Neutral	-0.2
Branch Banking, as a banking channel is an important channel to communicate with customers	Neutral towards Agreement	0.8
Customers will easily accept and adopt new technology when dealing with your bank	Agree	1
Mobile Banking, as a banking channel is an important channel to communicate with customers	Agree	1
Customer service will be the only differentiator in the banking industry over time	Agree	1
Technology makes it easier for the bank to provide a holistic customer service experience	Agree to Strong Agreement	1.2
Internet Banking, as a banking channel is an important channel to communicate with customers	Agree to Strong Agreement	1.2
What people post on sites like Facebook, Twitter, HelloPeter and other social media sites has an influence on how customers view a bank's corporate image?	Agree to Strong Agreement	1.2
It is important for banks to know what customers expect from their communication channel and service	Agree to Strong Agreement	1.4
Customer experience and perception of service is important	Agree to Strong Agreement	1.4
Loyalty programmes are a good way to retain market share for companies	Agree to Strong Agreement	1.4
Communication channels and customer service has been favourably affected by the introduction of new technology to existing structures	Agree to Strong Agreement	1.4
Customer experience and perception of service is an important indicator of how effective a communication channel is	Strong Agreement	2

The information shown in Table 6 presents the views of the experts in customer service experience. These indicators provide insight into how a customer service experience model is developed. Bankers feel that technologically advanced channels are slightly more important than traditional channels such as branch banking but that it would not be likely that completely branchless bank will be able to function effectively. Social media sites have a significant influence on the perception of customer service, but that the capabilities of technology and the internet have ultimately benefitted a customer's banking experience.

5.5. CUSTOMER EXPERIENCE FROM THE BANKING PERSPECTIVE INSIGHTS

The majority of customer experience experts feel that the market approach to modeling customer experience is driven by a model plan that is adapted to a developed country's economy structure. Instead, they feel that it should be adapted for every market segment and become market specific. Other key conclusions that can be drawn from the business-centric survey include:

1. Experts feel that loyalty programs retain loyal customers.
2. Technology has helped create more positive customer service experiences
3. Technologically advance channels are more important for customer service experiences than traditional communication channels
4. Technology supports self-service portals
5. Social media commentary has an impact on the customer service image of a financial institution
6. Complete adoption of technologically advanced communication channel is not the future of banking.

There was no uniform response between the experts as to the approach that a bank must use to model customer service experiences and the rate of technology adoption. It can be inferred that this is due to vast contrast between market segments, demands on communication channels and varying perspectives on customer experience modeling.

Financial institutions have not been as proactive as most consumers would like them to be concerning technology adoption. "Understand one thing. Consumers are not going back to the old ways of banking. They are moving forward. If you are not moving with them, they will pass right by you (King, 2010)."

6. Business Model

The business model comprises of two parts which link together to provide a description of key customer service indicators and the method by which to provide a satisfactory customer service experience. It is the culmination and development of the data received by the market surveys done into a gap and benchmarking analysis for a satisfactory customer service experience. A satisfactory service experience does not necessarily have to be the highest level of service that is achievable. A satisfactory customer experience can be seen as the creation of a level of service that a consumer in a specific market segment will generally be satisfied with at a parity or higher level.

Benchmarking business characteristics and consumer service experience traits that embody the best approach to model a positive experience will help create a business model approach to building satisfactory experiences. This is done by using customer experience from the business-centric analysis with input from the banking experts and the consumer survey. Once these steps are identified, possible shortfall areas are discussed by using a Gap Analysis.

6.1. Benchmarking the Banking Model Approach

Benchmarking customer experience is very relative to the market sector that has been identified. This investigation focused on a target market that has been identified as Generation Z. This sector comprises of 18-27 year old, computer literate individuals that have been educated and will soon become part of the backbone of the economy. Chapter 4 provided insights into the customer from the viewpoint of the consumer and Chapter 5 provided an in-depth analysis of how financial institutions create a service experience and the factors that influence the model by which customer service experiences are formed.

The first segment that was required to do a benchmarking analysis on customer service experience in the financial market was to identify the method and key factors that are normally found when trying to provide a customer service. It showed that financial institutions feel that a customer service experience are have some key aspects that can define a customer experience in a positive manner. Firstly, a service experience is generated by all facets of interaction between the bank and the consumer. Key detractors and attractors have been noted in Figure 28 and Figure 29. Key indicators that are relevant to customer service experiences in communication channels have been drawn out and are shown below.

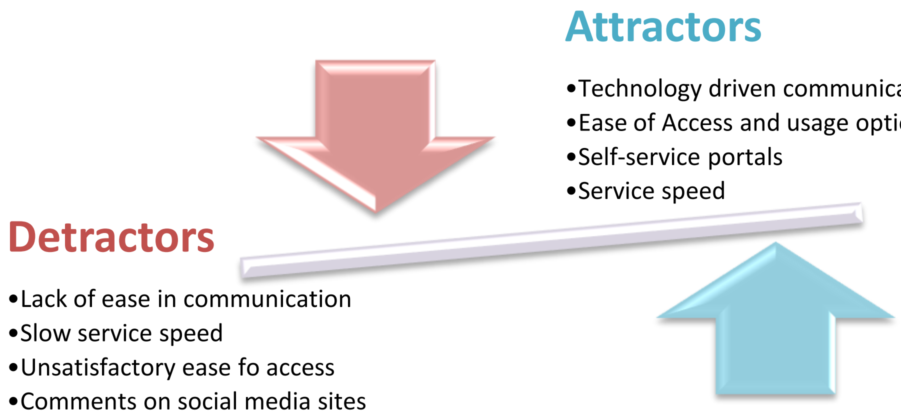


FIGURE 27. KEY ATTRACTORS AND DETRACTORS

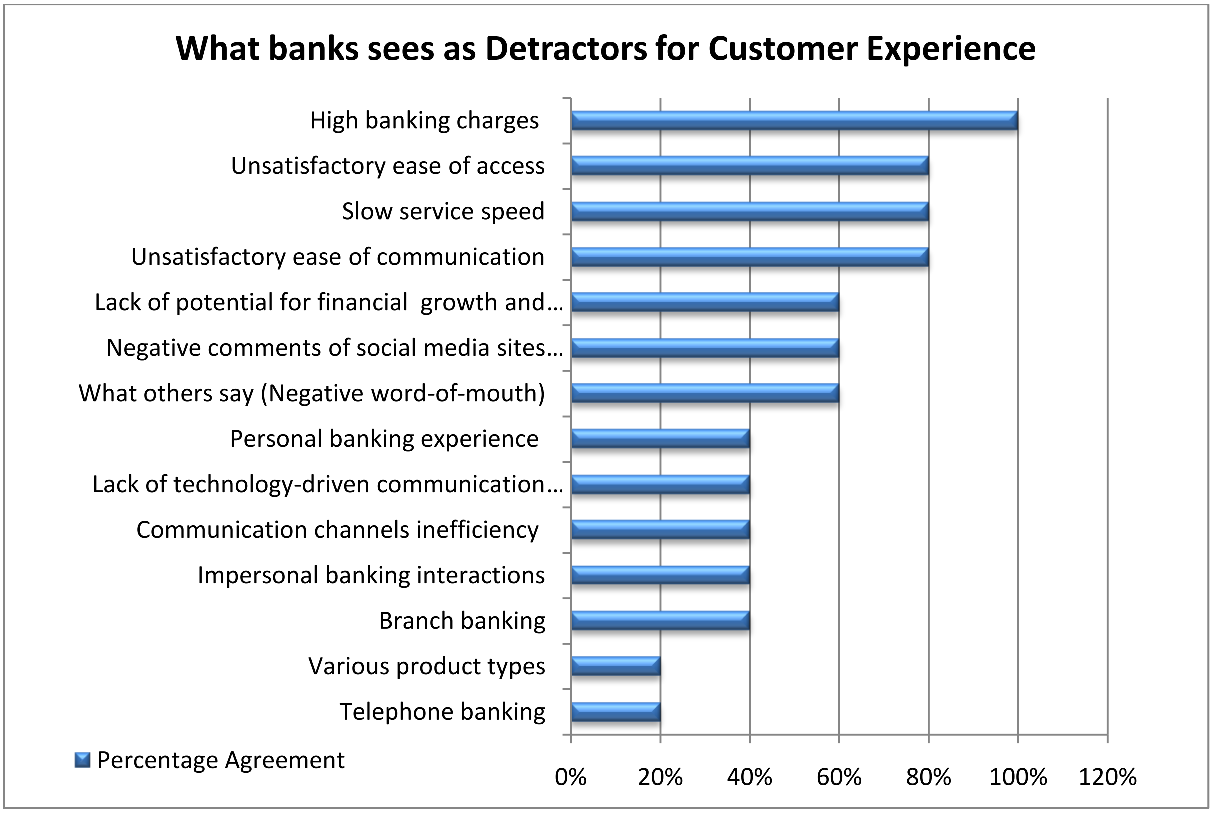


FIGURE 28. DETRACTORS FOR CUSTOMER SERVICE EXPERIENCE

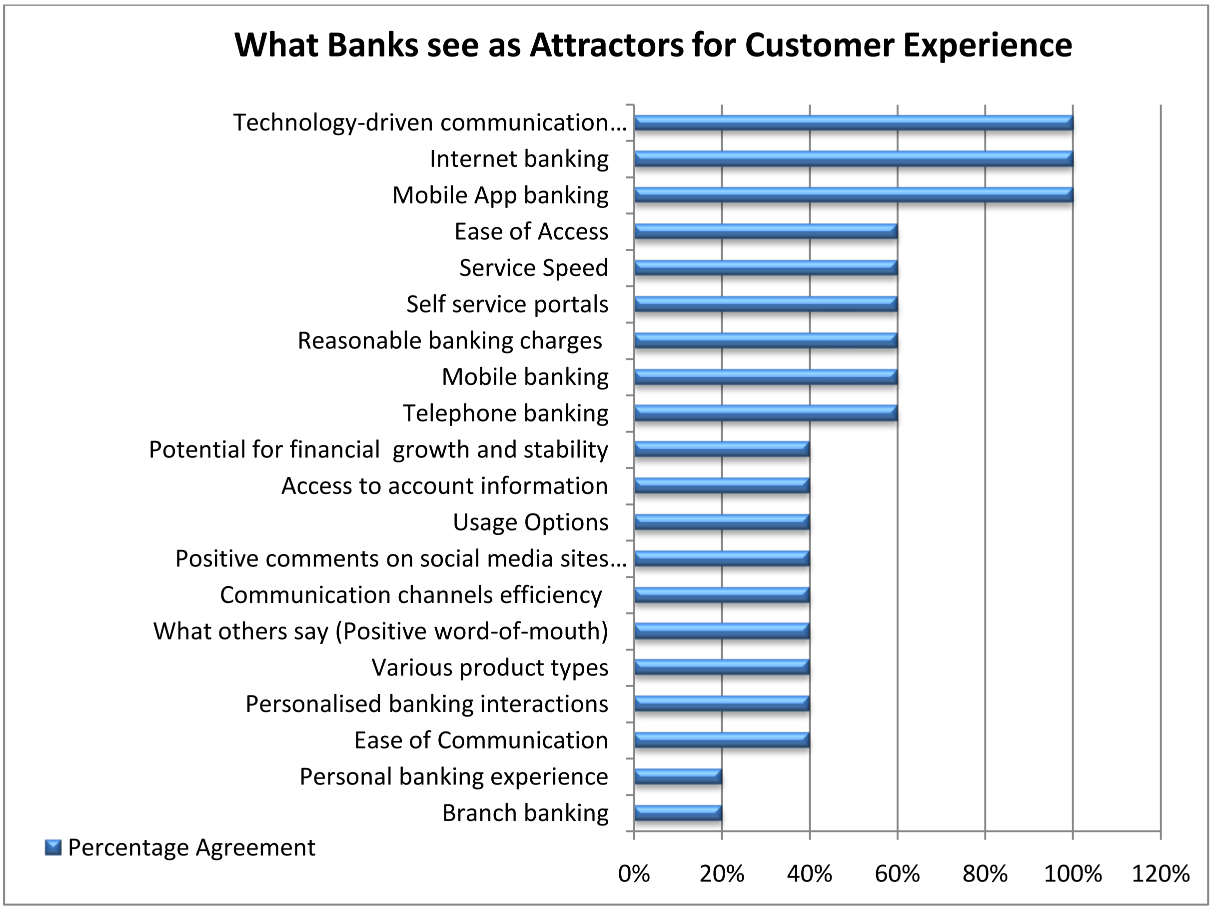


FIGURE 29. ATTRACTORS FOR CUSTOMER SERVICE EXPERIENCES

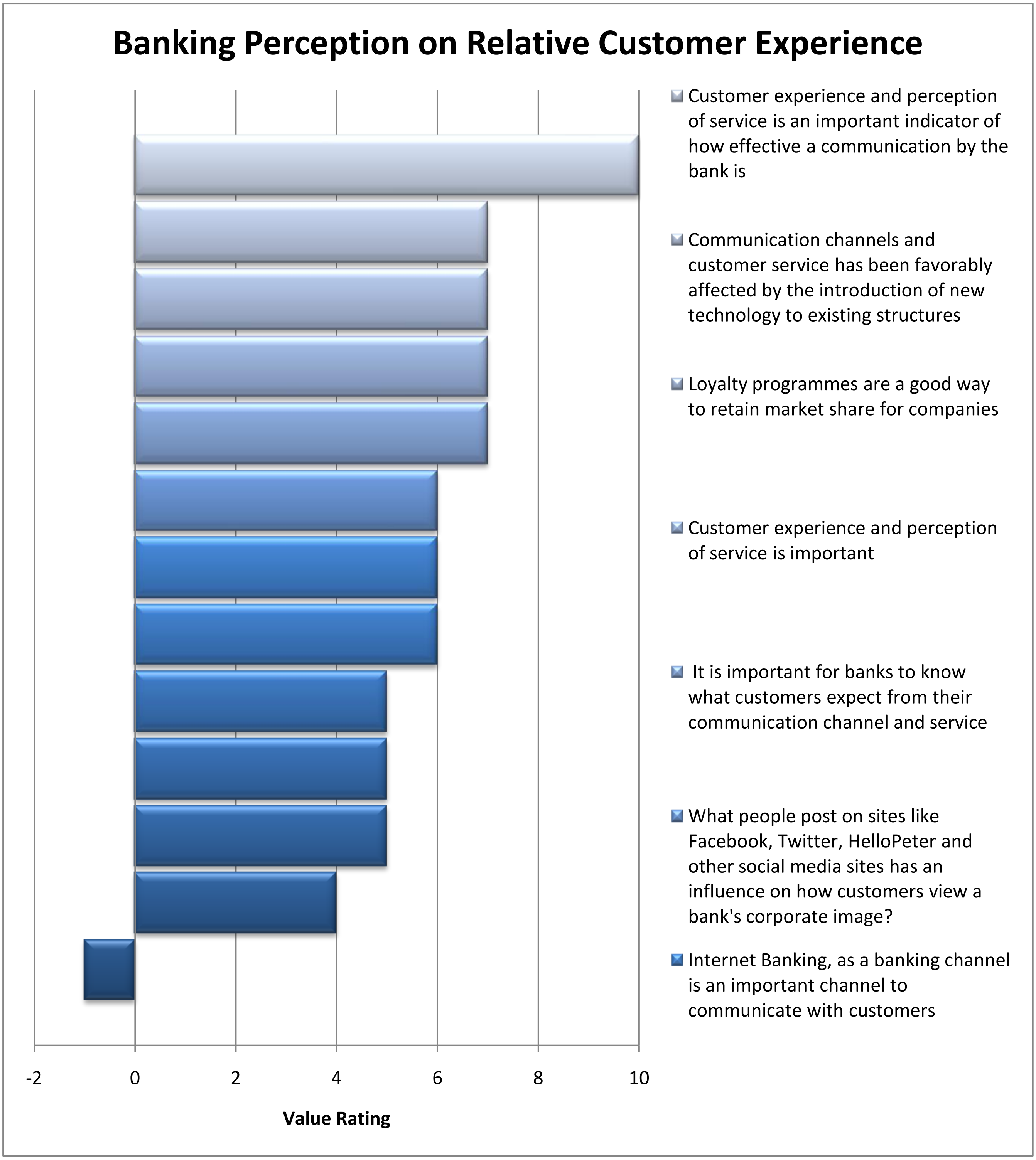


FIGURE 30. VALUE RATING FOR CUSTOMER SERVICE MARKERS

Figure 30 is a graphical representation of the factors that financial institutions believe have a large effect on customer service experiences. A rating of 10 is an indication that the factor has a large and profound effect on customer service. A value between 4 and 8 shows that experts believe that the factor has an effect, a value rating of between 0 and 4 shows that the experts do agree that the factor has an effect on customer service experience but that it might not be a key indicator when it comes to providing a satisfactory customer experience. A negative rating shows that the experts feel that this will not become a factor when creating a customer service experience. Financial institutions have various ways of implementing and utilizing these factors to create a satisfactory customer service experience. Figure 31 shows the value that customers have placed on the quality of their service from their financial institution of choice. Consumers were asked to rate their bank's service on a scale from zero to ten (zero being a very bad experience and ten being an excellent customer service experience).

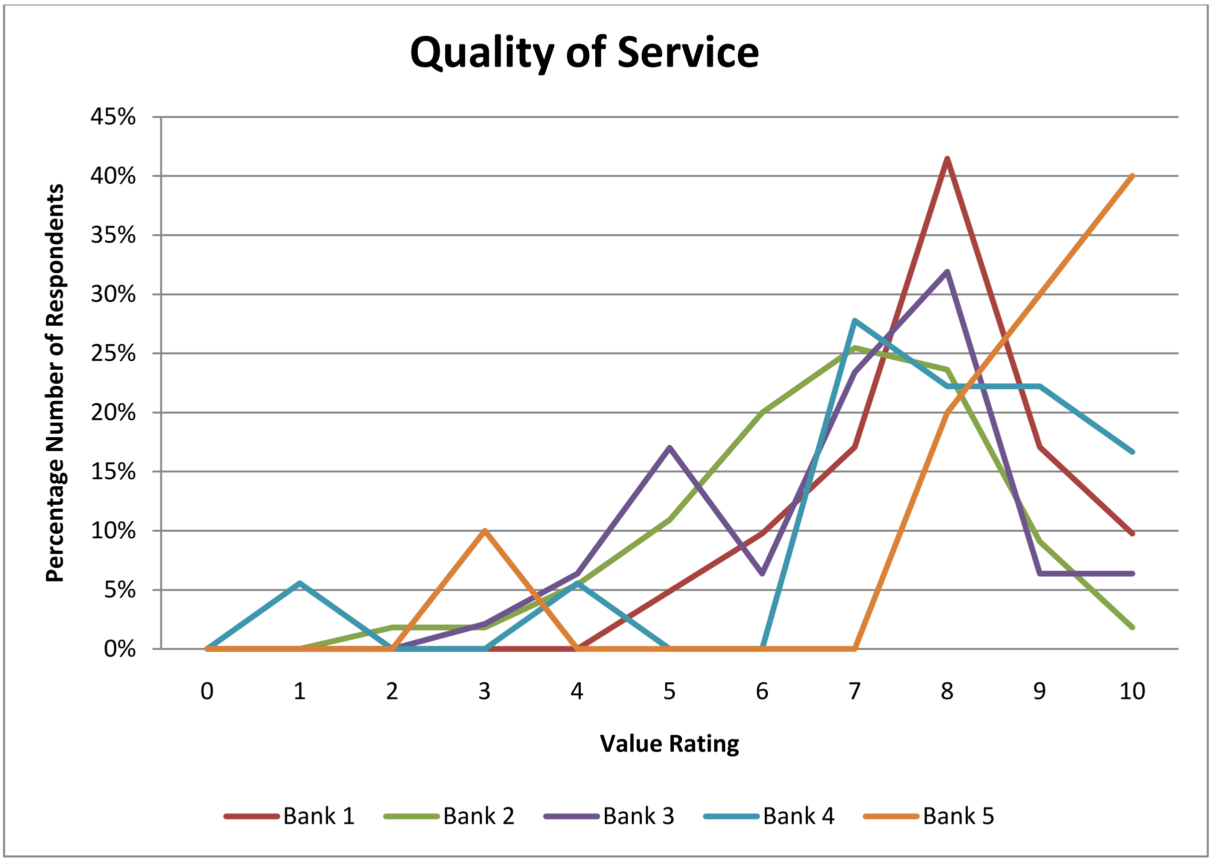


FIGURE 31. QUALITY OF SERVICE EXPERIENCE

This graph is indicative of how well customer service experience policies have been implemented in the various institutions. Even though determining the individual service experience given by a bank is not part of the scope of this investigation, it does aid in benchmarking practices that are utilized in a specific organization to promote a positive service experience. Financial institutions with a high rating for customer service can be more assured of their market standing with regard to customer service experience as a key differentiator.

Table 7 shows the number of consumers that feel loyal towards their bank because of the customer experience that they receive and then the number of customers per bank that feel that all their service needs are fulfilled sufficiently by their bank. The table shows the percentage[2] of banking consumers whom have specifically noted service experience as a reason for using a specific bank as their financial institution of choice. It can be seen that most consumers will be satisfied, first and foremost, if their financial institution satisfies their

[2] This figure is not a cumulative percentage; respondents could choose more than one factor that influenced their choice of financial institution.

service requirements but that the service experience generated by their interactions with a bank has a large influence on their initial choice of bank and their loyalty towards the bank.

TABLE 7. REASON FOR CHOOSING A BANK

Percentage of customers that specifically bank here because:	Bank 1	Bank 2	Bank 3	Bank 4	Bank 5	Bank 6
Customer service experience	32%	13%	44%	28%	40%	0%
The bank satisfies their service requirements	59%	42%	72%	53%	60%	33%

The factors that have been identified as attractors, detractors and the rating which consumer respondents gave to their bank's quality of customer experience have helped to create a model which has benchmarked each bank in accordance with the quality of their customer service experience. The results can be seen in Figure 32. The benchmarking was done by comparing the average service level rating by consumers per bank against the number of respondents that gave a service rating for their bank. This gave a weighted volume rating for each bank which was plotted against the average service level for each bank.

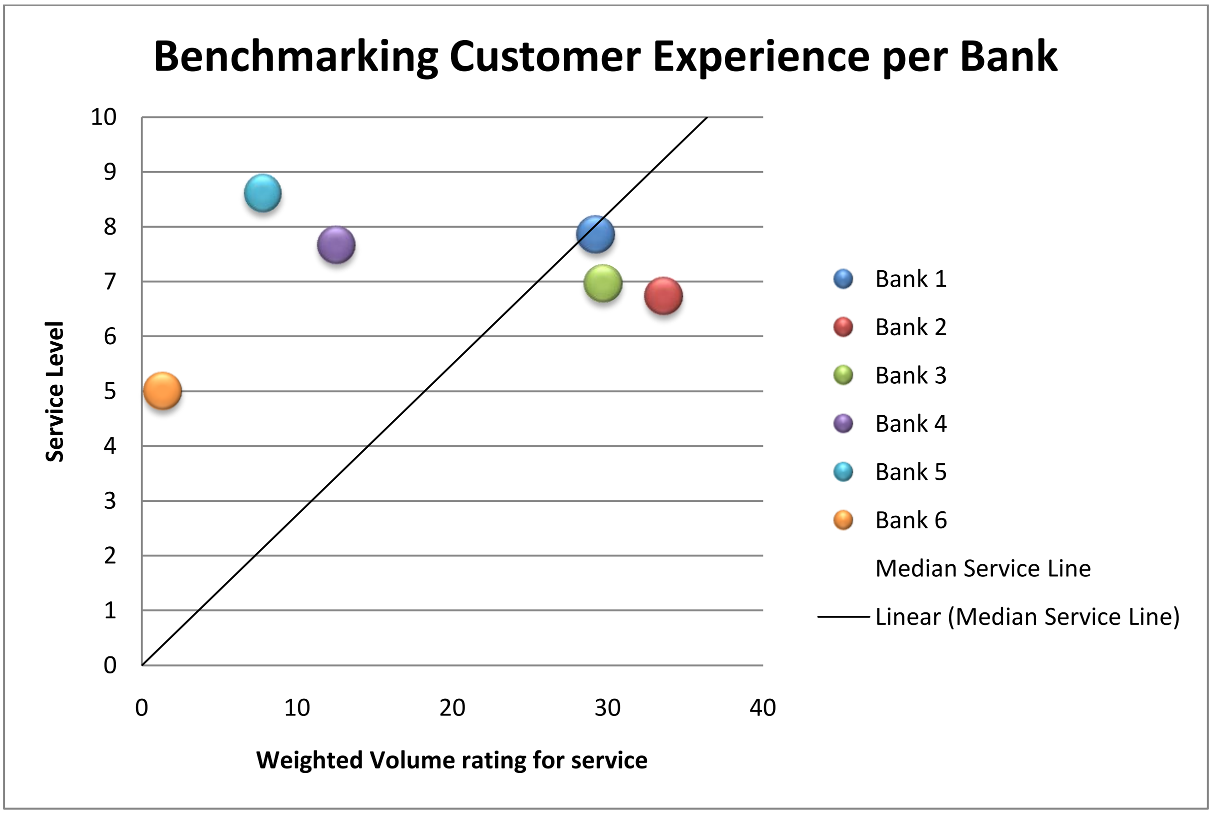


FIGURE 32. BENCHMARKING OF CUSTOMER SERVICE EXPERIENCE

It can be seen that Bank 1, Bank 2 and Bank 3, rate well in the overall benchmark of customer service experience as these banks had the largest number of respondent replies. The effect of consumer choices and demands has had a greater effect on the way that banks have modeled customer service experience than ever before. Therefore, a bank like Bank 5, which had far fewer consumer responses, did have a high value for the quality of a customer experience, but ultimately fell short because of the lower number of responses from consumers which affected its' weight volume rating. The models that banks like Bank 1, Bank 2 and Bank 3 can be seen as the market drivers in terms of having a suitable business model for creating positive customer service experiences because these banks have a large market share but still have a high rating value for customer service experience.

6.2. Communication Channel Benchmarking

The communication channel utilization for a specific market segment has a considerable impact on the resources that a financial institution must allocate and utilize to create a service experience that is tailored to the capabilities of the channel and the market segment demands on the channel. Figure 33 shows the benchmarking of the various communication channels in terms of the channel utilization, number of times used by a customer and consumer preference in the market segment. The utilization rating was calculated by evaluating the total number of times that a communication channel will be used per month. This was plotted against the average utilization per consumer per month in order to benchmark communication channels in terms of utilization and accessibility to the market segment.

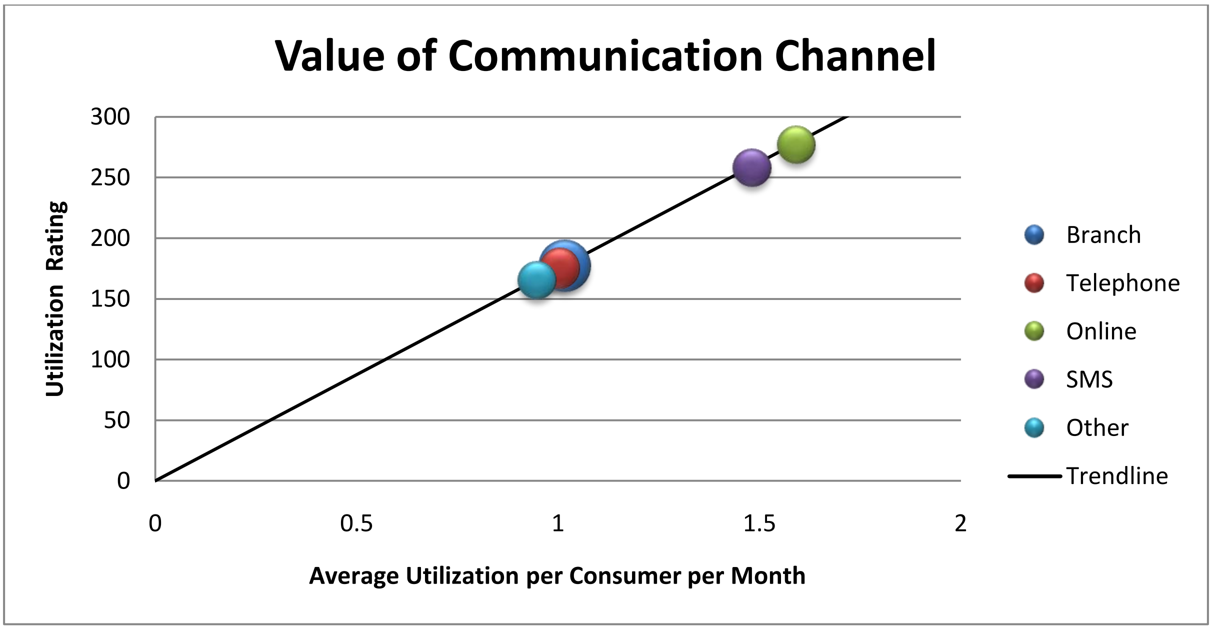


FIGURE 33. VALUE OF COMMUNICATION CHANNEL

It can be seen that technologically advance channels such as online banking and SMS banking are the main communication channels used by Generation Z. These channels are some of the newest communication channels that have been made available to the consumer market by the banking sector, yet these communication channels benchmark far higher than the more traditional types of communication channels. Figure 16 shows that the vast majority of users still mainly use branch banking as the chosen method of interaction with their financial institution of choice, however, it does not have such a strong implication for customer experience as a capable communication channel as the technology driven communication channels have.

6.3. Business Model Gap Analysis

The main crux of this report was to evaluate whether customer service is becoming a key differentiator in the market and how it is possible to create a satisfactory customer service experience. As the investigation progressed, some key points became self-evident with the responses that were gathered from the survey done within the market.

Gap analysis showed that banks need to map out their customer experience. The three major shortfalls that were discovered include the following:

1. Understanding what the consumer wants and tailoring communication interfaces to meet these needs.
2. Banks need to create the right product mix to compliment the communication channel utilized by the customer.
3. Banks needs to bring in the consumer perspective as early as is possible in order to satisfy the gaps that are created when a financial institution models customer experience not on what the consumer share desires but rather on the model that the financial institution believe will be most suited to the needs of the general consumer.

Best practice techniques vary between banking models but each model must identify and incorporate the main "Wants" that a customer would like to experience with dealing with their bank, regardless of the communication channel chosen.

These "Wants" include:

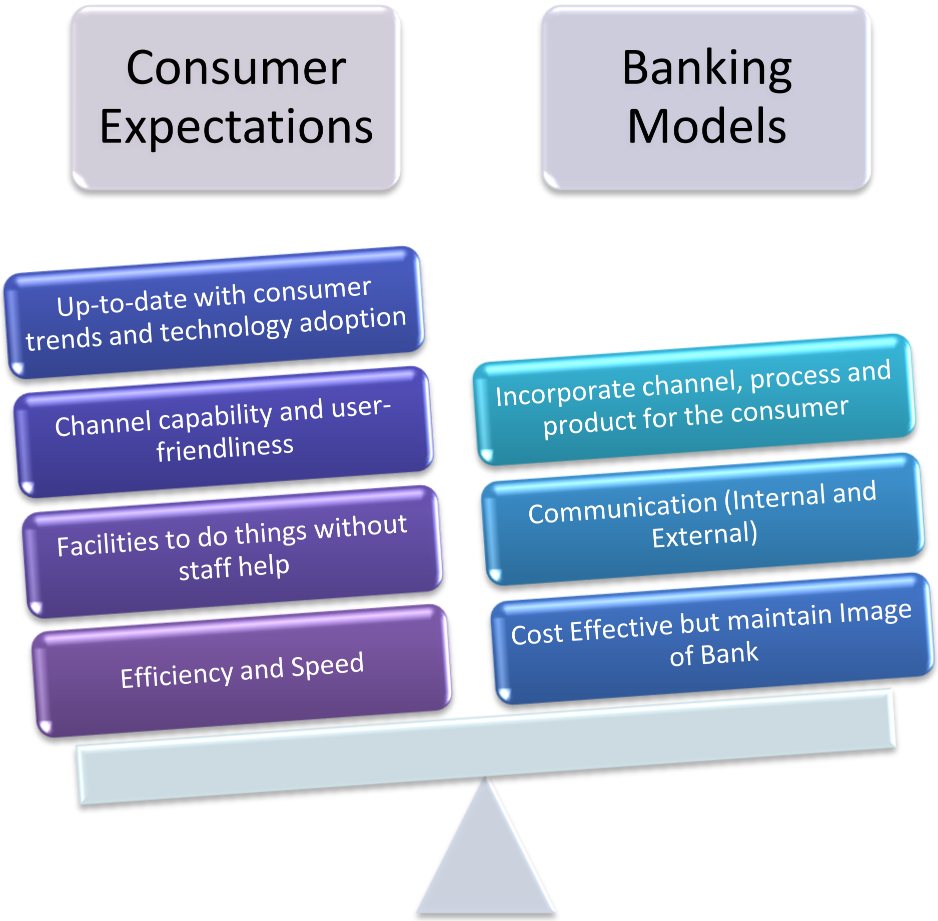


FIGURE 34. CONSUMER DEMANDS

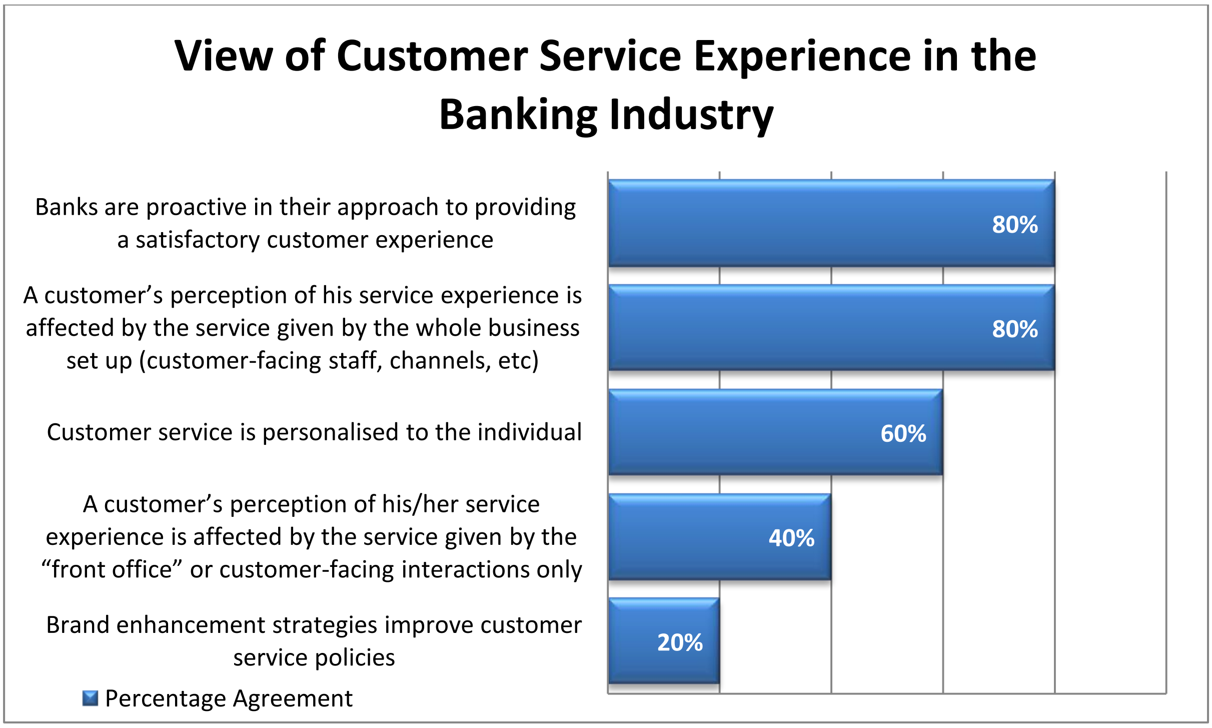


FIGURE 35. VIEW OF CUSTOMER SERVICE IN THE BANKING INDUSTRY

The conclusions that can be gathered from the business-centric survey analysis show that technology is a driver in creating a satisfactory customer experience. This promotes the use of self-help portals and aids in communication through various interfaces. It also has a great effect on the image of the customer service experience as customers post their experiences on social media sites. Financial institutions have no control over this and therefore cannot control any negative connotations that these comments generate. Therefore the creation of a positive service experience should be a paramount concern to any financial institution as most banking experts feel that the image that is given to the end user can be more important to creating a customer experience than the actual service given. Nearly 65% of consumers say that customer experience is a reason why they continue to bank with their financial institution of choice. Many felt that the quality of the experience was due to the engagement methods utilized by the financial institution.

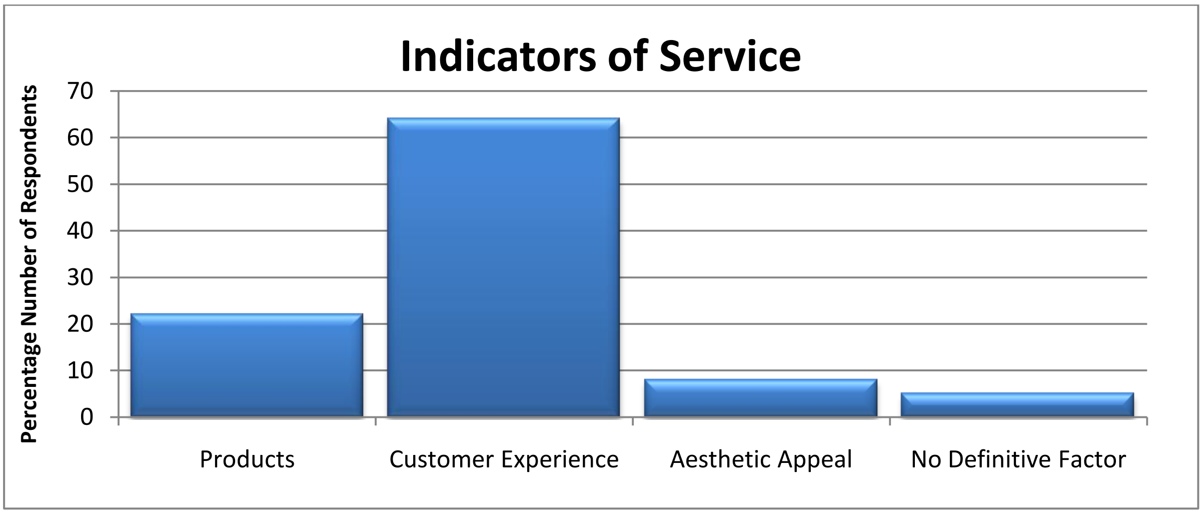


FIGURE 36. INDICATORS OF CONSUMER CHOICES

The creation of a satisfactory customer service experience is aided by properly trained staff members, a properly functioning communication channel that is geared towards it's inherit capabilities and various qualitative factors such as ease of access and functionality. The manner in which the bank views the future of has a large influence on the way that a consumer will ultimately encounter their service experience. Figure 35 shows the level of agreement which banking experts believe to be a reflection of the impact of various factors and communication channels have on a satisfactory service experience. Figure 37 shows the main demands that a consumer places on a bank's ability to provide a sustainable and distinctive service experience. These factors were developed by using respondent input from the consumer based survey.

FIGURE 37. CONSUMER DEMANDS ON BANKS

- Enable and make digital portals more powerful and capable
- Efficiency in service dealings
- Ensure that information given to clients is concise and applicable
- Knowlegable staff members
- Convenience in channel "location" and use

Certain gaps or discrepancies between consumer perception and business modeling have been identified by comparing the answers given by consumer respondents and customer experience expert responses. The main discrepancies that have been identified include:

TABLE 8. DISCREPANCIES IN MARKET ASSUMPTIONS

Consumer Belief	Banking Approach
Customer experience does not affect customer loyalty	Customer experience has a substantial effect on customer loyalty
Model should be tailored to each market segment and area	Model uses developed country customer experience. Each communication channel should be identifiable and provide a standard view.
Financial institutions have the ability to become completely self-service sufficient	The market will not become completely technological. There will always be a need for traditional banking channels
Technology adoption should be a pro-active response to facilitating communication capabilities	Bank models dictate communication channel utilization

These gaps identify key areas in which financial institutions can choose to improve customer service experience models and thus improve the service that can be given to specific market segments.

7. BUSINESS MODEL RECOMMENDATIONS AND CONCLUSION

By adding together the results of the gap and benchmarking analysis, customer service experience recommendations can be made. These recommendations are relevant only to the respondent market segment investigated, namely Generation Z consumers. The main points that define customer service experience and communication channel utilization are listed below.

Key communication channels that this market segment uses include:

- Online Banking
- SMS Banking

Attractors to creating a positive customer service experience include:

- Technologically driven communication channels such as mobile and online banking
- Ease of access
- Service Speed
- Utilization capabilities and usage options

The main detractors to creating a positive customer service experience include:

- Unsatisfactory ease of access
- Slow service speed
- Unsatisfactory ease of communication
- Negative comments on social media sites

It has been shown that technology has favorably affected customer service experiences and thus has become the market driver in terms of the type of communication channel utilized and the capabilities for the consumer to become self-sufficient in their interactions with their bank of choice. The analysis has found that a parity customer experience level is 7.2 out of 10. According to the survey conducted, it can be inferred that a superior level of customer service can be achieved if a rating is given that is higher than 8. It has also shown that a financial institution that can dominate the market share and has a high service rating will benchmark high as the banking experts feel that loyalty is driven by customer experiences.

The business model approach needs to incorporate customer demands. These demands include:

- The ability to utilize self-service functionality
- Become proactive in technology adoption
- Create the right mix between channel capabilities and product mix
- Personalized communication channel adaption
- Consistency in customer service experiences
- Create an engagement opportunity with the consumer

Customer service experience models should try to move away from creating an experience for the mass market. Technologically advanced communication channels such as online and SMS banking has the capabilities to be adapted for every user by allowing for user input into the interface design. Models should incorporate customer perspectives from an early developmental phase instead of molding customer experience models on the company expectations for consumer responses; this change can be facilitated using autonomic[3] technology.

Overall, almost 69% of all respondents felt that they received a satisfactory customer service experience, but if service experience is to become a key differentiator in the market, then this figure must be improved. Banks need to understand the relationship that a consumer has with the bank across every channel. This includes the ability to manage the capabilities of the channel effectively and to consolidate the information given by consumers to the bank through multiple communication channels.

Financial institutions must understand the implications that technology has had on the market. Consumers have become empowered and traditional banking methods are becoming redundant to this market group. They are moving forward and financial institutions must work to move ahead of consumer demands placed on creating a satisfactory customer service experience.

[3] Autonomic technology is based on neural processing, as it tends towards becoming self-managed by learning through each customer engagement. It stores data on each consumer and thus enables a faster and better customer experience after each interaction.

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APPENDIX A

CUSTOMER EXPERIENCE SURVEY

Demographic Survey

RSA Resident: ☐ Yes ☐ No
Gender: <<GENDER>>
Year of Birth: <<YOB>>
Education Level: <<EDU_LEVEL>>
Income Bracket: <<INCOME>>
Household Income: <<HH_INCOME>>
Marital Status: <<MARRIED>>
Population Group: <<RACE>>
Dependants: ☐ Yes ☐ No
Number of dependants: <<NR_DEPEND>>

Product Survey

Bank used: <<BANK>>
Bank services: ☐ Business Account ☐ Personal Account
☐ Loans ☐ Business Policies
☐ Other <<OTHERSERV>>
Communication Methods: ☐ Branch ☐ Cell phone Banking
☐ SMS Banking ☐ Telephonically
☐ Internet Banking ☐ Other <<OTHERCOMM>>

Service Quality Survey

Has the bank met your service needs? ☐ Yes ☐ No
Checking and interest met your needs? ☐ Yes ☐ No ☐ Don't use this service
Has their loan services met your needs? ☐ Yes ☐ No ☐ Don't use this service
Has their online service met your needs? ☐ Yes ☐ No ☐ Don't use this service
Has the cell/SMS banking met your needs? ☐ Yes ☐ No ☐ Don't use this service
Visiting branch? ☐ Yes ☐ No
Do you receive friendly service at the bank? ☐ Yes ☐ No
Is the service efficient? ☐ Yes ☐ No
Is it easy to communicate with your bank? ☐ Yes ☐ No
Do you enjoy your banking experience? ☐ Yes ☐ No
Has your experiences encouraged your loyalty? ☐ Yes ☐ No
Would you refer other people to your bank? ☐ Yes ☐ No
Why would you/ why wouldn't you refer other people to your bank? <<OTHER_REASON>>
You bank at this bank because: ☐ Competitive loan products
☐ Competitive deposit products
☐ Customer Service
☐ Because you have always banked here
☐ Employee contract relationships
☐ Sophisticated products on offer
☐ Convenient branch locations
☐ The bank satisfies your banking requirements
☐ Other <<BANKO_REASON>>

Communication channel Survey

How do you rate your bank's customer service	<<BANK_RATE>>
Is the service prompt and efficient?	☐ Yes ☐ No
Do you enjoy going into a bank branch?	☐ Yes ☐ No

Do you visit a branch because:
- ☐ You don’t know how else to get the service / product you require
- ☐ You cannot access the information otherwise
- ☐ The bank tells you that you cannot apply for that service/product
- ☐ Legislation and or banking procedures requires you to hand in documentation.
- ☐ You enjoy the personal experience
- ☐ Other <<VB_OTHER>>

How can your bank service you better?	<<BANK_SERV_BETTER>>

Usage survey

How many times a month do you visit a branch?	<<T_VISIT>>
How many times a month do you use telephone banking?	<<T_TELE>>
How many times a month do you use online banking?	<<T_ONLINE>>
How many times a month do you use SMS banking?	<<T_SMS>>
How many times a month do you use other banking services?	<<T_OTHER>>
What do you like from your bank?	<<WHAT_LIKE>>
What don’t you like from your bank?	<<WHAT_DONT>>
What makes a bank stand out for you?	<<WHAT_STANDOUT>>

Appendix B

Business Survey

Customer Experience in Financial Institutions

Providing a Holistic Customer Experience Regardless of the Communication Channel Chosen

In financial journals it is stated that customer experience will soon be the only differentiator between banks. So, how should banks go about and where should they aim to achieve the desired competitive advantage through customer experience. It is important to state a case to quantify to some extent the impact of customer service in the banking industry, as well as to understand the functional and organizational barriers blocking the realization of this achievement.

An important factor for customer experience in the banking industry is innovations in technology. Technology has a great influence on the way in which people communicate with each other and their service providers. People are becoming more accustomed to using technology to interact with their service providers and promote the use of technology as a form of communication. Technology affects a customer's experience of service in the banking industry through the use of and adoption of various new communication channels. Therefore banks must seamlessly provide these service channels, as per demanded by the market segment whilst still adhering to various law and regulations.

This questionnaire covers a wide array of topics which concern the customer's experience of service from a bank modeling perspective. The data gathered will be used in a final year dissertation in Industrial and Systems Engineering, but all information and answers will be kept in strict confidence and will not be published.

Thank you for taking the time to complete this survey, it is greatly appreciated.

Regards,

Tanya Lumley

Please mark your answer with an X

Multiple answers can be marked

1. How do you view customer service experience in the banking industry? Select all the options below that you feel apply.		
	A customer's perception of his/her service experience is affected by the service given by the "front office" or customer-facing interactions only	
	A customer's perception of his service experience is affected by the service given by the whole business set up (customer-facing staff, channels, etc)	
	Brand enhancement strategies improve customer service policies	
	Banks are proactive in their approach to providing a satisfactory customer experience	
	Customer service is personalised to the individual	
	Other	
	Please Specify:	
2. How does technology affect the banking industry in terms of Customer Service Experiences and Communication Channels? Select all the options below that you feel apply.		
	Technology improves communication between the customer and the bank	
	Technology allows customers to become self-sufficient in handling their own queries	
	Technology makes handling requests faster	
	Technology is the future of banking	
	Technology hinders the administrations practices of the staff handling customer queries	
	Technology may make branch banking obsolete	
	Banks try to keep ahead of advances in technology to provide innovative service	
	The constant demand from consumers for new communication channels makes it difficult keep up to date with market trends	
	Changes in technology make it difficult to provide a standard service to all clients.	
	Other	
	Please Specify:	

3.	**Do you see technological advancements in the market as being driven by customer demands or by the business' ability to create and implement technology advancements?**
	Customer demand driven. **[Proceed to Question 3.1.]**
	Business technological capability driven. **[Proceed to Question 3.2.]**
	3.1. Which of the following statements do you agree with about customer-driven demands for technology advancements?
	Customers demand various ways to communicate with their bank
	The market is driven by the consumers
	3.2. Which of the following statements do you agree with about business-driven technology advancements?
	The banking market is driven by banking models that are decided by banks
	The bank choose communication channels that are best adapted to handling customer queries
4.	**What do banks see as specific attractors for the Generation Z market share? (18-27 years old, middle income household and grew up being computer literate) Please select your top 5 attractors.**
	Mobile App banking
	Telephone banking
	Mobile banking
	Branch banking
	Internet banking
	Reasonable banking charges
	Self service portals
	Ease of Communication
	Service Speed
	Personalised banking interactions
	Various product types
	What others say (Positive word-of-mouth)
	Communication channels efficiency
	Ease of Access
	Technology-driven communication channels/interfaces
	Positive comments on social media sites about customer experience
	Usage Options
	Access to account information
	Personal banking experience
	Potential for financial growth and stability

5. What do banks see as specific detractors for the Generation Z market share? (18-27 years old, middle income household and grew up being computer literate) Please select your top 5 detractors.	
	Mobile App banking
	Telephone banking
	Mobile banking
	Branch banking
	Internet banking
	High banking charges
	Self service portals
	Unsatisfactory ease of communication
	Slow service speed
	Impersonal banking interactions
	Various product types
	What others say (Negative word-of-mouth)
	Communication channels inefficiency
	Unsatisfactory ease of access
	Lack of technology-driven communication channels/interfaces
	Negative comments of social media sites about customer experience
	Usage Options
	Access to account information
	Personal banking experience
	Lack of potential for financial growth and stability
6. Which of the following models are used to create a customer experience for the market segment of 18-27 year olds, who are computer literate?	
	Segment-specific marketing
	Mass Marketing
	Adoption of a model for a developed country
	Adoption of a model for an emerging country
	6.1. Please Elaborate on your choice above:

Please mark answer with an X and elaborate in the space provided below.

7. Which of the below do you see as key indicators which must be met to provide an acceptable customer experience?		
Having employees who are knowledgeable and well-informed	YES	NO
The time taken to complete a customer's issue or problem	YES	NO
Having the service available at convenient times for the customer	YES	NO
Being able to access bank services using multiple channels	YES	NO
Being able to resolve the problem without having to resort to face-to-face contact with a service agent	YES	NO
The number of communication channels available that can handle a customer request	YES	NO
The ease with which the customer can read and understand the information provided to them	YES	NO
Not requiring customers to resubmit paper work or official copies of documents to complete a transaction	YES	NO
Limiting the amount of time spent waiting for service	YES	NO
Other, please elaborate:		

Please mark your answer with an X

8. Please indicate your level of agreement with the following statements using a scale of 0 to 10											
Where: 0 - Completely Disagree 5 - Neutral 10 - Completely Agree											
8.1. Customer service is a paramount concern in the banking industry											
0	1	2	3	4	5	6	7	8	9	10	Don't Know
8.2. When evaluating communication shortfalls for a specific communication channel, customer perception of good service is important											
0	1	2	3	4	5	6	7	8	9	10	Don't Know
8.3. Advances in technology have an effect on customer service and the overall customer experience											
0	1	2	3	4	5	6	7	8	9	10	Don't Know
8.4. Banks are pre-emptive in their adoption of new technology to provide a superior level of customer service											
0	1	2	3	4	5	6	7	8	9	10	Don't Know
8.5. Customer participation in pushing and demanding new technological advances for the effective communication between the bank and customer are promoted by the bank											
0	1	2	3	4	5	6	7	8	9	10	Don't Know
8.6. Customers place a great demand on their service experience and have high expectations from their use of and interaction with the bank through communication channels											
0	1	2	3	4	5	6	7	8	9	10	Don't Know
8.7. Banks listen to the comments customers post on social media sites to improve their customer service experience											
0	1	2	3	4	5	6	7	8	9	10	Don't Know
8.8. Legal issues and regulations impact the way in which banks can communicate with customers and thereby has an effect on the customer's experience											
0	1	2	3	4	5	6	7	8	9	10	Don't Know

Please mark your answer with an X

9. Please rate these factors from 0 to 10 for their importance in delivering a satisfactory service experience											
Where: 0 - Completely Disagree 5 - Neutral 10 - Completely Agree											
9.1. Ease of access to service											
0	1	2	3	4	5	6	7	8	9	10	Don’t Know
9.2. Convenient times for accessing service											
0	1	2	3	4	5	6	7	8	9	10	Don’t Know
9.3. Choice of multiple communication channels											
0	1	2	3	4	5	6	7	8	9	10	Don’t Know
9.4. Being able to resolve issues/questions without speaking to a service agent											
0	1	2	3	4	5	6	7	8	9	10	Don’t Know
9.5. The amount of time it takes to completely resolve a client's issues											
0	1	2	3	4	5	6	7	8	9	10	Don’t Know
9.6.Waiting times to obtain service											
0	1	2	3	4	5	6	7	8	9	10	Don’t Know
9.7.Friendly and polite employees											
0	1	2	3	4	5	6	7	8	9	10	Don’t Know
9.8. Knowledgeable and well-informed employees											
0	1	2	3	4	5	6	7	8	9	10	Don’t Know
9.9. Having customer service people who can deal with my issue without having to refer me to another person											
0	1	2	3	4	5	6	7	8	9	10	Don’t Know
9.10. Having customer service people who know the client's history based on information previously provided											
0	1	2	3	4	5	6	7	8	9	10	Don’t Know
9.11. Product diversity											
0	1	2	3	4	5	6	7	8	9	10	Don’t Know
9.12. Service experience that matches the promises that a company made upfront											
0	1	2	3	4	5	6	7	8	9	10	Don’t Know
9.13. The number of choices a customer has to receive service the way they want it											
0	1	2	3	4	5	6	7	8	9	10	Don’t Know

9.14. The amount of time it takes to completely read and understand the service agreements/literature that a bank gives to a client											
0	1	2	3	4	5	6	7	8	9	10	Don’t Know
9.15. Recognition from the company for doing business with them											
0	1	2	3	4	5	6	7	8	9	10	Don’t Know
9.16. The bank providing special treatment when a client does business with them											
0	1	2	3	4	5	6	7	8	9	10	Don’t Know

Please mark your answer with an X

10. Please rate the statements below.				
10.1. Customers will easily accept and adopt new technology when dealing with your bank				
Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
10.2. Technology makes it easier for the bank to provide a holistic customer service experience				
Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
10.3. Mobile Banking, as a banking channel is an important channel to communicate with customers				
Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
10.4. Internet Banking, as a banking channel is an important channel to communicate with customers				
Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
10.5. Branch Banking, as a banking channel is an important channel to communicate with customers				
Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
10.6. It is important for banks to know what customers expect from their communication channel and service				
Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
10.7. Customer experience and perception of service is important				
Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
10.8. Customer experience and perception of service is an important indicator of how effective a communication by the bank is				
Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
10.9. What people post on sites like Facebook, Twitter, HelloPeter and other social media sites has an influence on how customers view a bank's corporate image?				
Strongly disagree	Disagree	Neutral	Agree	Strongly Agree

10.10. Loyalty programs are a good way to retain market share for companies				
Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
10.11. Customer service will be the only differentiator in the banking industry over time				
Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
10.12. Communication channels and customer service has been favorably affected by the introduction of new technology to existing structures				
Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
10.13. Future trends predict that banks will become completely electronic with no face-to-face portals due to the advances in technology and the way in which this affects communication channel usage				
Strongly disagree	Disagree	Neutral	Agree	Strongly Agree