Customer experience as the strategic differentiator in retail banking

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This study is dedicated to my late father, Hannes Drotskie.

Declaration

By submitting this study electronically, I declare that the entirety of the work contained therein is my own, original work, that I am the owner of the copyright thereof (unless to the extent explicitly otherwise stated) and that I have not previously in its entirety or in part submitted it for obtaining any qualification.

Signature

Name in full

Date

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Abstract

In 2008, retail banking in South Africa is a highly competitive industry with extensive customer bases that expect increasingly more from their banking experience. The retail bank with an appropriate strategic differentiator will gain a sustainable competitive advantage in the changing retail banking environment and add value to all its stakeholders.

This study was conducted within the evolving retail banking industry and investigated customer experience as a possible strategic differentiator in this industry. The investigation included a literature study on the evolution of retail banking globally and in South Africa, the concepts strategy, differentiation and sustainable competitive advantage and customer experience. Quantitative and qualitative measurement frameworks were applied to measure the total customer experience and thereby illustrate through the research results the value of understanding the customer experience as differentiator in an organisation.

The researcher determined through the investigation that customer experience can be a valuable strategic differentiator in retail banking today as it gives an organisation a competitive advantage through the focus on the total customer experience which includes the previous differentiators in the industry, namely product, price and service. The researcher also indicated that customer experience evolved over time and includes service quality and customer service from which it evolved.

The implications of the study focus on management’s role in developing a differentiated strategy which describes customer experience as the differentiator and implementing such a strategy implies a thorough understanding of customers and their experiences when interacting with the organisation and entrenching a customer experience culture and orientation in the organisation on all levels.

Opsomming

Die kleinhandelbankwese in Suid-Afrika, in 2008, is ‘n hoogs kompeterende bedryf met ‘n uitgebreide kliëntebasis wat al hoe meer verwag tydens elke bankervaring. Die kleinhandelsbank met ‘n gepaste strategiese differensieerder sal die kompeterende voordeel geniet en waarde tot al sy insethouers toevoeg.

Hierdie studie is uitgevoer midde ‘n veranderende handelsbankindustrie en kliënte-ervaring word nagevors as moontlike strategiese differensieerder. Die navorsing sluit ‘n literatuurstudie insake die veranderende handelsbankindustrie wêreldwyd en in Suid-Afrika in, asook strategie, differensiëring, ‘n volhoubare kompeterende voordeel en kliënte-ervaring as kernbegrippe in die navorsing. Kwantitatiewe en kwalitatiewe navorsing word gebruik om die totale kliënte-ervaring te meet en deur die meting word geïllustreer wat die waarde van die inligting verkry uit die meting vir ‘n onderneming inhou ten opsigte van differensiasie.

Die navorser het deur die ondersoek bevind dat kliënte-ervaring vandag in die handelsbankwese ‘n waardevolle strategiese differensieerder kan wees wat ‘n onderneming ‘n kompeterende voordeel kan gee deur te fokus op die totale kliënte-ervaring, wat die vorige differensieerders in die bedryf naamlik produk, prys en diens insluit. Die navorser het ook bevind dat kliënte-ervaring oor tyd ontwikkel het en dienskwaliteit en kliëntediens insluit waaruit dit ontwikkel het.

Die gevolgtrekking uit die navorsing is gefokus op die rol van ‘n bestuurder in die ontwikkeling van ‘n gedifferensieerde strategie wat kliënte-ervaring as ‘n differensieerder omskryf. Die implementering van so ‘n strategie impliseer ‘n genoegsame kennis van die kliënte en hulle ervarings tydens interaksies met die ondernemings en die vestiging van ‘n kliënte-ervaringkultuur en -ingesteldheid in die onderneming.

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List of abbreviations

CRM	Customer relationship management
ISM	Integrated services measurement
ATM	Automated teller machine
TCE	Total customer experience
CEM	Customer experience management
Bank X	A South African retail bank
DCS	Delivery channel services
FBS	Flexi banking services
IBD	International banking division
RMs	Relationship managers
FPs	Financial planners
RBS	Retail banking services
CEO	Chief Executive Officer
IT	Information technology
POS	Point of sale
ROI	Return on investment
PC	Personal computer

CHAPTER 1

ORIENTATION

Great customer experiences are differentiated by focusing on stimulating planned emotions

(Shaw, 2005:62)

1.1 INTRODUCTION

This chapter consists of the problem statement and objectives which serve as the orientation to the study of customer experience as a strategic differentiator in retail banking.

The literature review, providing a summary of all sources utilised for the literature studies in Chapters 2, 3, 4 and 6 and a clarification of concepts used in the study follow. The chapter is concluded with the nature and form of the study and the chapter outline.

1.2 PROBLEM STATEMENT

Within a period of some 25 years retail banks moved from offering simple loans and receiving deposits to providing a wide portfolio of lending and savings products. Retail banking became dependent on technology and entered into real competition with other banks and other companies outside the banking industry such as supermarkets. All this meant rapid change within a powerful ethos (Croxford, Abramson & Jablonowski, 2006:9).

The financial services industry (of which retail banking forms an integral part) is continuing its dynamic change. Dibb and Meadows (2001:169) argue that the major players in retail banking are becoming increasingly blurred as the effects of mergers, flotations and new market entrants are felt. More than ever before, retail banking managers needs a detailed understanding of their customers, their current and potential profitability, how to meet the needs of their best customers successfully by providing an appropriate range of financial services, and how to prevent these valuable customers from switching to other service providers. All of this must be done while keeping costs down and ensuring that business processes are streamlined and efficient.

Croxford, et al. (2006:11) argue that the obvious reason why banks have been able to avoid making changes is that the demand for banking is extensive, inevitable and growing. Consumers and businesses increasingly need banking products and services and therefore have little option but to go to the banks.

Retail banks are reshaping the business tactically and strategically to achieve stiff balance sheet and income statement goals. It is interesting though that these goals are achieved through traditional branch banking sales and service, focusing on existing customers (70-75% of sales) and setting behavioural standards for banking staff (Anat, 2006:1-2).

However, there is a change in the air for retail banking. Retail banks all see the competition increasing across the media, mail and physical changes in branches. Retail banks see supermarkets and new names selling financial products. A retail bank has to have confidence in its strategies, the simplicity of its actions and speed in its implementation of change (Croxford, et al., 2006:15).

Retail banks differentiate themselves by the effectiveness of their strategic decisions. Fundamental differentiators are more powerful than tactical differentiators that have become more difficult to create and more difficult for competitors to compete against (Croxford et al., 2006:83). According to Croxford et al. (2006:84), “service and customer experiences are important differentiators” in retail banking. “The customer experience is a combination of everything you do, or fail to do for that matter, that underpins any interaction with a customer or potential customer” (Shaw, 2005:5).

“The customer experience is the next competitive battle ground and it will provide a source of sustainable differentiation. In the commoditized economy we are now faced with, the customer experience is a possible differentiator. Product, price, people and technology are all so similar. The meaningful things that customers remember, over and above your product, such as the feel and perception of your organisation and your brand, are derived through the customer experience. It is therefore the customer experience that makes the difference" (Shaw, 2005:xix).

Obtaining and sustaining a competitive advantage in banking - and specifically in retail banking today - sets the challenge to determine one thing that will differentiate one bank from another. Retail banks worldwide are trying to find that sustainable competitive advantage and it currently seems possible by strategically focusing on customer experience as the key differentiator.

This study on customer experience as a possible strategic differentiator in retail banking depicts the relevance of customer experience as a differentiator through literature studies and through the understanding of the customer experience by measuring it quantitatively and qualitatively.

Using the total customer experience as the differentiator is critical in that it takes the total customer offering into account as well as emotional and behavioural aspects of the actual experience. The experience is considered from the customer's point of view and not only from the organisation's point of view.

The research problem is therefore if customer experience can be sustainable strategic differentiator in the retail banking industry.

The following research question is based on this problem: "Is customer experience a sustainable strategic differentiator in retail banking?"

This study describes and analyses the concepts of strategic differentiation, customer experience and retail banking. Customer experience as differentiator is investigated from two angles.

(i) Through relevant literature studies;

(ii) Through a quantitative and a qualitative measurement framework that measures customer experience holistically.

1.3 RESEARCH OBJECTIVES

In this section the researcher states the primary and secondary objectives against the background of the research problem.

1.3.1 Primary objective

The primary objective of this study is to investigate whether customer experience is a strategic differentiator in retail banking, leading to a sustainable competitive advantage.

1.3.2 Secondary objectives

The secondary objectives of the study are:

(a) Investigate alternative differentiators in retail banking and show by means of literature studies that customer experience is a key strategic differentiator.

(b) Determine whether customer experience in a retail banking environment can be measured qualitatively as well as quantitatively.

(c) Investigate the outcome of customer experience measurement and determine whether it adds value to the strategy and planning of a retail bank.

1.4 LITERATURE REVIEW

This study focuses on key concepts such as strategy, strategic differentiation, sustainable competitive advantage, customer experience, value and retail banking as defined and understood in the relevant literature.

1.4.1 Retail banking

This study has been done in the context of the retail banking industry. It was therefore appropriate to review retail banking globally as well as in the South African context. This review as depicted in Table 1.3 is based on a literature study for Chapter 2.

Table 1.1: Concepts and sources used in Chapter 2

CONCEPT	SOURCES
Retail banking	Croxford, Abrahamson & Jablonowski (2005:17)
Global retail banking	Consoli (2005:462-463, 465-468); Streiter, Gupta, Raj & Wilemon (1997:128-129); Trethowan & Scullion (1997:60, 63, 67-68); Segura (2007:1-2); Deloitte Touche Tohmatsu (2005:1-20); Council on Financial Competition (2005:2); Terblanche & Boshoff (2001:11); Temkin (2006:1-12); Lee (2002:238); Capgemini (2006:4, 17-20); Bird (2006:10); Devlin & Gerrard (2004:13); Boston Consulting Group (2007:1-2); Banknet India (2008:1); Burgess, Hyde, Kamra & Bhasin (2003:1-3)
Retail banking in South Africa	Singh (2004:187-196); Mboweni (2004:1-3); Falkena (2004); Whitfield (2006:12); Moneyweb (2007); Whitfield (2007:36); Mboweni (2007:1); Coetzee (2007:1, 4); Von Zeuner (2006:54); Brauer (2005:49); Bick, Brown & Abratt (2004:300-318); Ivantury & Pickens (2006:1); Porteous (2007:3)

CONCEPT	SOURCES
Model of a world-class retail bank	Council on Financial Competition (2005:1)
Differentiation in retail banking	Shaw (2005:20); Croxford, Abramson & Jablonowski (2005:8-9, 83); Lowenstein (2005:71); Council on Financial Competition (2004:1); CapGemini Ernst & Young (2001); McAdam & Pine (2006:50); Eisenhardt (1999:65);

1.4.2 Strategy, strategic differentiation and a sustainable competitive advantage

This study investigates customer experience as the strategic differentiator. Strategy, strategic differentiation and a sustainable competitive advantage are described by way of a literature review in Chapter 3.

Table 1.2: Concepts and sources used in Chapter 3

CONCEPT	SOURCES
Strategy	Goldman & Niewenhuizen (2006:2-5); Pietersen (2002:41); Mintzberg, Ahlstram & Lampel (1998:9); Hrebiniak (2005:xvii); Porter (1996:70)
Evolution of strategy	Luke (2003:4-5); Finnie (1994:11); Ansoff & McDonnell (1990:43-44); Ansoff (1965:103); Mintzberg (1994:1); Mintzberg, Ahlstram & Lampel (1998:4-5); Thompson, Strickland & Gamble (2007:452)
Strategy defined	Ansoff & McDonnell (1990:43); Mintzberg (1994:1); Mintzberg, Ahlstram & Lampel (1998:9-17); Wheelen & Hunger (1987:13); Hamel (1989:3); Porter (1996:68); Porter (1997:5); Thompson, Strickland & Gamble (2007:4); Pearce & Robinson (2007:3); Thurbin (1998:xi); Kaplan & Norton (2004:4-5)
Competitive strategy	Porter (1979:5); Porter (1980:35-40)
Strategy levels	Porter (1987:1); Dess, Gupta, Hennert & Hill

CONCEPT	SOURCES
	(1995:364, 374); Ketchen (2003:95); Goldman & Nieuwenhuizen (2006:72-75); Pearce & Robinson (2007:9-10)
Strategy development and implementation	Porter (1987:6); Eisenhardt & Sull (2001:109); Hrebiniak (2005:23, 69, 71-72); Thompson, Strickland & Gamble (2007:9, 20, 178); Morgan, Levitt & Malek (2007:11-17)
Strategy and operational effectiveness	Porter (1996:61, 62, 64); Pearce & Robinson (2007:199-200)
Strategy and decision making	Eisenhardt (1999:66); Thurbin (1998:124-125)
Strategy and the business model	Thompson, Strickland & Gamble (2007:12)
Strategy and strategic thinking	Thurbin (1998:xx, 126-127); Mintzberg, Ahlstram & Lampel (1998:126-127); Peters in Thurbin (1998:128-131); Hamel & Prahalad in Thurbin (1998:129-130); Ohmae in Thurbin (1998:131); Abraham (2005:5-12)
Strategy and culture	Pietersen (2002:158-159); Hrebiniak (2005:261); Thompson, Strickland & Gamble (2007:11,341)
Strategic differentiation	Porter (1985:7); Pearce & Robinson (2007:237-238); Thompson, Strickland & Gamble (2007:144-145); Goldman & Nieuwenhuizen (2006:77); Hornby (1998:322)
Sustainable competitive advantage	Thompson, Strickland & Gamble (2007:6-7, 178); Beinhocker (1999:103); Porter (1985:2, 5); Luke (2003:18); Prajogo (2007:69); Hough & Neuland (2007:212); Porter (1997:10); Pearce & Robinson (2007:233); Shaw (2007:9); Peppers & Rogers (2005:10-11); Hamel & Prahalad (1989:14-15)

1.4.3 Customer experience

Customer experience as a concept and differentiator is analysed in Chapter 4. A literature study revealed the development of different definitions since 1999, the evolution of service quality during the 1980s, customer service in the 1990s, and customer experience after 1999. Definitions and explanations of these very important concepts are provided, showing that customer experience is currently a key concept in differentiation in retail banking.

"During the 1980s, the primary emphasis of both academic and managerial effort focused on determining what service quality meant to customers and developing strategies to meet customer expectations. Since then, many organisations have instituted measurement and management approaches to improve their service. The service quality agenda has now shifted and reconfigured to include other issues. The issue of highest priority today involves understanding the impact of service quality on profitability and other financial outcomes of the organisation" (Zeithaml, Berry & Parasuraman, 1996:31).

Table 1.3: Concepts and sources used in Chapter 4

CONCEPT	SOURCES
Services marketing	Zeithaml & Britner (2003:3-5); Lovelock (1984:31, 37, 43); Hoffmann & Bateson (2001:4, 9); Constantinides (2006:418, 421); Grönroos (2002:136, 138); Grove, Fisk & John (2003:107-108); Gilmore & Carson (1996:41); Grönroos (1994:9)
The marketing mix	Grönroos (2002:129, 130); Constantinides (2006:409); Rafiq & Ahmed (1995:4); Wise & Sirohi (2005:10-11); Hoffmann & Bateson (2001:4); Gupta (2005:19); Kotler (1984:70); Zeithaml & Bitner (2003:23-25); Hawkins, Best & Coney (2004:19); Zikmund & Babin (2007:402)
Services marketing and relationship marketing	Dibb & Meadows (2001:171); Payne (1994:29); Grönroos (2002:138)

CONCEPT	SOURCES
Evolution of customer experience*	Pullman & Gross (2003:215); Mascarenhas, Kesavan & Bernacchi (2006:397, 398-399); Berry (1999) in Zeithaml & Bitner (2003:11-12); Zeithaml & Bitner (2003:11-12); Blanchard (1994:5-7); Shaw (2007:5); Galloway (1996:22-29); Mattila (2005:97); Parasuraman, Zeithaml & Berry (1985:41, 42, 45-46); Parasuraman (1994:35); Lehtinen & Lehtinen (1988) in Galloway (1996:22-29); Bateson & Hoffmann (1999) in Curry (2004:331-333); Carlzon (1989) in Curry (2004:331-333); Curry (2004:331-333); Day & Hunk (1979:66-71); Woodruff, Cadotte & Jenkins (1987:307); Brown (1989:93); Keiser (1988:65-66); Spechler (1989:20-21); Liswood (1998:42-45); Brewton (1989:92); Zeithaml, Berry & Parasuraman (1996:31); Howcroft in Blanchard & Galloway (1991:5); Mattila (2005:97); Parasuraman, Berry & Zeithaml (1993:141); Parasuraman, Berry & Zeithaml (1990:34-35); Coskun (1992:15-16); Parasuraman, Zeithaml & Berry (1985:41-50)
Customer experience*	Dawes & Rowley (1998:350); Pine & Gilmore (1999:5, 29); Tseng (1999:50); Gilmore & Pine (2002:4-5); Seybold (2002:108); Smith & Wheeler (2002:1); Pullman & Gross (2003:216); Heackel, Carbone & Berry (2003:20-22); Wyner (2003:6); Schmitt in Colman & Kiska (2003:6); Gordon (2004:1); Shaw (2005:6); Flanagan, Johnson & Talbot (2005:374); Hogan (2005:12); Shaw (2005:16,57); Mascarenhas (2006:397); Shaw (2007:8); Williams (2004:7); Schmitt (2003:1-4)
Elements of customer experience	Shaw (2005:xix); Heskett (1997:106); Hrebiniak (2005:261); Basch (2002:2-3); Cant, Brink & Brijball (2002:239); Smith (2001:5); Pullman & Gross (2003:218); Hornby (1998:922); Dorsey & Bodine (2006:7); Lee (2002:242); Peters

CONCEPT	SOURCES
	(2003:155); Kotler (1984:4); Berry, Carbone & Heackel (2002:85-86); Barlow & Steward (2004:42, 45); Kumar (2004:148); Shaw (2005:137); Kaplan & Norton (1996:4); Drogseth (2005:64); Berry & Parasuraman (2000:1); Finnie (2002:25-26); Pine & Gilmore (1999:5-6, 11-15); Aaker & Keller (1990:27-41)
Customer experience management (CEM)	Schmitt (2003:2-4); Shaw (2007:122-123); Kiska (2002:28-30)
Product as differentiator	Greenberg (2006:1); Schmitt (2003:3); Shaw (2005:23); Trethowan (1997:64)
Price as differentiator	Thompson (2005:2-5); Shaw (2005:31); Vaglio (2006:23)
Service as differentiator	Kleiner (1996:27); Smith (2001:2); Council on Financial Competition (2004:1-3); Berry & Parasuraman (2002:1); Curry (2004:331); Andries (2001:45)
Customer experience as differentiator	Mascarenhas, Kesavan & Bernacchi (2006:397); Shaw (2005:xix, 1-2); Berry (2002:89); IOMAs (2002:7); Bell (2005:10); Harris (2005:1-2); Thompson (2000:3); Dawes & Rowley (1998:351); Berry (2002:86); Shaw (2005:2, 5, 16, 18-21, 45) ; Greenberg (2006:1)

***** At the time of this investigation in 2004 the literature on the topic was still limited.

1.4.4 Research methodology

The research methodology is described in terms of a literature review in Chapter 6 and serves as an introduction to the qualitative and quantitative measurement of customer experience.

Table 1.4: Concepts and sources used in Chapter 6

CONCEPT	SOURCES
Research design	Drucker (1992); Tull & Hawkins (1987:26, 32-33);

CONCEPT	SOURCES
	Zikmund & Babin (2007:5, 493); Hair, Bush & Ortinau (2006:63)
Research methodology	Churchill (2005:40-42, 74); Hair, Bush & Ortinau (2006:63-64); Zikmund & Babin (2007:42, 44)
Quantitative research methodology	Burns & Grove in Cormack (1991:140); Zikmund & Babin (2007:83); Churchill (2005:32); Tull & Hawkins (1987:31, 32, 826)
Qualitative research methodology	Creswell in Del Siegle (2007:1); Tull & Hawkins (1987:310); Zikmund & Babin (2007:83); Hair, Bush & Ortinau (2006:173, 202); Churchill (2005:91); ImprovSolutions (2003:1-3); Berry (2001:58-73); Collison & MacKenzie (1999:38-40)

1.5 CLARIFICATION OF KEY CONCEPTS

This paragraph describes the key concepts applied in this study.

(i) Customer / client

The researcher uses the concept customer throughout this study. Client is also used in a retail banking context instead of customer. In this study the term customer is used as it is commonly used in the retail banking industry in South Africa. This study is conducted in the context of the retail banking industry.

(ii) Customer experience

This refers to a consistent representation and flawless execution across distribution channels and interactive points of the emotional connection and the desired relationship with your brand (Seybold, 2002:108).

(iii) Customer-centricity

A customer-centric organisation has a customer-centric culture incorporated into the values of the organisation (Seybold, 2002:207).

(iv) Customer service

This concerns the intangible elements an organisation provides apart from the product. Service stems from a comparison between what customers feel an organisation should offer (their expectations) and their perception of the performance of the organisation in providing the service (Dawes & Rowley, 1998:350).

(v) Service quality

Service quality is a measure of how well the service that is delivered matches or conforms to the customer's expectations. Delivering a quality service means conforming to customer expectations on a consistent basis (Berry, Parasuraman & Zeithaml, 1994:35).

(vi) Differentiation

An organisation differentiates itself from its competitors if it can be unique at something that is valuable to buyers. Differentiation is a type of competitive advantage an organisation may possess (Porter, 2004:119).

(vii) Retail banking

Retail banking is characterised by large numbers of customers, accounts and transactions, a variety of products and services, a high level of dependency on technology, and extensive cooperation between banks, retailers, businesses and consumers (Croxford, et al., 005:xiii).

(viii) Value

Value is represented by shared beliefs in a community that provide guidelines on how they think, act and feel in a given situation (Cant, Brink & Brijball, 2002:28).

(ix) Customer value

Customer value is created when customers' needs and wants are fulfilled. Customer value equals customer benefits received minus customer costs (Cant, et al., 2002:28, 30).

(x) Product versus service

In reality many services contain at least some product elements. Products may be defined as objects, devices or things whereas services may be defined as deeds, efforts or performance. The primary difference between products and services is intangibility - lacking physical substance (Hoffmann, 2001:4).

(xi) Customer loyalty

Loyalty is a deeply held commitment to consistently re-buy or re-patronise a preferred product or service, thereby causing repetitive same-brand-set purchasing despite the potential of situational influences and marketing efforts to cause switching behaviour. Loyalty can be behavioural, attitudinal and situational (Oliver, 1999, in Mascarenhas, 2006:399). According to Finnie and Randall (2002:25) the only way an organisation can grow a loyal customer base is by building committed relationships with the employees responsible for serving the customers.

(xii) Customer advocacy

This is a state of deep-rooted, emotional engagement between a customer and an organisation that goes beyond satisfaction, beyond delight, beyond loyalty and beyond commitment. Customer advocacy represents the highest level of involvement with the organisation in an emotional bond, with customers talking about their experiences to friends, relatives and colleagues (Lowenstein, 2005:204).

(xiii) Brand experience

Brands are recognised by the values, beliefs and experiences that underpin them. Customer experience equals brand experience (Barlow & Stewart, 2004:23). Experience is initially shaped by impressions of the enterprise's brand (Kothari & Lackner, 2006:243).

(xiv) Staff experience

Staff experience leads to brand experience. "It is through their employees that leaders are going to change the customers' experience" (Finnie, 2002:25).

(xv) Strategy/strategic

"Strategy" has its origin on the battlefield. Strategy is about choice. "Strategic" (vs operational or tactical) implies the nature of the strategy. A strategic plan is designed for a particular purpose (Goldman, 2006:2; Hornby, 1998:117).

(xvi) Organisation

An organisation contains an organised group of people, becoming a system. In the context of this study, "organisation" is used to describe a business or a company (Hornby, 1998:817).

(xvii) Customer satisfaction

Satisfaction is the customer's fulfilment response. It is a judgement that a product or service feature or the product or service itself provides a pleasurable level of consumption related fulfilment. Customer satisfaction is influenced by specific product or service features, by perceptions of quality, by customers' emotional response, their attributes and their perceptions of equity (Zeithaml & Bitner, 2003:86-87).

(xviii) Customer relationship management

Customer relationship management (CRM) means determining who your customers are and building relationships with them. CRM is supported by an information system and a strategy (Seybold, 2002:7). CRM studies customers one by one to develop profiles on their individual needs, behaviours and responses to marketing. This approach allows an organisation to get very close to its customers and to tailor services uniquely to individuals (Zeithaml & Bitner, 2003:144).

(xix) Global versus local

In this study the researcher defines "global" as the world or the international market as opposed to the local market in South Africa.

(xx) Experience

Experience occurs when an organisation intentionally uses services as the stage and goods as the props to engage individuals (Pine & Gilmore, 1999:11). Zeithaml and Bitner (2003:36) describe experience within a services context as "attributes that can be discerned only after purchase or during consumption".

(xxi) Sustainable competitive advantage

The fundamental basis of above-average performance in the long run is sustainable competitive advantage (Porter, 2004:11).

(xxii) Strategic differentiation

In a differentiation strategy an organisation seeks to be unique in its industry along some dimensions that are widely valued by customers (Porter, 2004:14).

(xxiii) Relationship marketing

Grönroos (2002:138) defines relationship marketing in the following way: "Marketing is to establish, maintain and enhance relationships with customers and other partners at a profit so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment of promises". It is also about organisations' strategies to retain customers and strengthen relationships with them (Zeithaml & Bitner, 2003:120).

(xxiv) Satisfaction measurement

Customer satisfaction is measured through the SERVQUAL approach developed by Parasuraman during the 1980s (Parasuraman, et al., 1993:140). The satisfaction of customer service is measured through the difference between customer expectations and perceptions.

(xxv) Behavioural

The behaviour of customers informs a behavioural dimension of customers' experiences. Behaviour of customers has to do with knowledge, attitude, uses or responses to a service (Zeithaml & Bitner, 2003:165).

(xxvi) Attitudinal

An attitude is an enduring organisation of motivational, emotional, perceptual and cognitive processes with respect to some aspects of the environment. Attitudinal aspects of customer behaviour are the customer's tendency to respond in a certain manner towards an object or activity (Hawkins, Best & Coney, 2004:386, 390).

(xxvii) Customer retention

Retention is the continuing, active relationship with a customer that yields a stream of revenue from the sale of the initial product or service (Heskett, Sasser & Schlesinger: 1997:61).

(xxviii)Culture

Culture is the complex whole that includes knowledge, belief, art, law, morals, customs and any other capabilities and habits required by humans as members of society (Hawkins, et al., 2004:42).

(xxix) Customer expectations

The expectations of customers are what they expect an organisation to deliver when interacting or dealing with the organisation – it is "what I want" (Parasuraman et al., 1990:35).

(xxx) Processes

A process is the flow of information through interrelated stages of analysis towards the achievement of an aim (Pearce & Robinson, 2007:G-5).

(xxxi) Channel approach

A channel approach within a retail banking context is the combination or integration of delivery channels through which the bank delivers products and services to customers. There are six obvious channels with four obvious purposes. The six channels are ATM, branch, Internet, phone, mail or face-to-face representatives and the purposes are communicating, servicing, transacting or selling (Croxford, et al., 2006:42-43).

(xxxii) Marketing

The fundamental purpose of marketing is to enable organisations to plan and execute the pricing, promotion and distribution of products, services and ideas in order to create exchanges that satisfy both the organisation and its customers (Hair, Bush & Ortinau, 2006:5).

(xxxiii) Brand

“A brand is the face of a business strategy” – Scott Galloway (Aaker, 2000:33). Aaker (Davis, 2000:3) defines a brand as an intangible but critical component of what a company stands for. A brand is a set of promises that implies trust, consistency and a defined set of expectations.

(xxxiv) Systems

Almost everything a retail bank does is dominated by systems. A system is about orderliness, control, a set of connected things, procedures and practices. A system does not necessarily have anything to do with information technology (IT) (Croxford, et al., 2006:99).

(xxxv) People

Within the context of this study focusing on services and retail banking, people can be defined as "all human actors who play a part in service delivery and thus influence the buyer's perceptions namely the organisations personnel, the customer and other customers in the service environment" (Zeithaml & Bitner, 2003:24).

(xxxvi) Retail marketing

Retail marketing embraces the elements of services marketing and relationship marketing with a shift in focus towards implementation and therefore retail formats, personnel, service and presentation becomes critical elements of retail marketing. Retail marketing includes distinctive aspects such as physical evidence, shopping experience, atmosphere and personalisation rather than mass contact (Constantinides, 2006:421-422).

1.6 IMPORTANCE AND VALUE OF THE STUDY

1.6.1 Importance of the study

This study investigated differentiation in a retail bank context. It was deemed important to prove through the literature review and the empirical research that customer experience can differentiate one retail bank strategically from another. Competition is very strong in the retail banking environment in South Africa, especially between the four main retail banks. With the retail industry entering the banking arena, competition is even tighter.

Croxford, et al. (2005:83) argue that retail banks differentiate themselves from each other through the effectiveness of their strategic decisions. This includes cost of operations and containment of risks as well as marketing, sales, product development, service quality, distribution and many other activities impacting on performance. Differentiators that would light up the market or propel a bank into higher levels of performance are far and few between.

It is therefore important to understand strategic differentiation and investigate the possible differentiators in a retail banking context. This study investigates strategic differentiation and customer experience as a strategic differentiator within a retail banking context.

It is also important to note that the strategic differentiator provides a competitive advantage to one retail bank until a competitor implements the same strategic differentiator. Thereafter a new strategic differentiator must be identified. This study suggests the determination of the next differentiator as future research.

1.6.2 Value of this study

Defining and analysing customer experience as a concept will give retail banks as well as other customer-focused entities a good understanding of strategic differentiation in their organisations.

The qualitative and quantitative measurement methods used in this study investigated organisations in which customer experience can be measured. Such measurement can add value to customer insight and knowledge of the organisation if the measurement outcomes are understood and interpreted. The results of the research can assist in understanding the relevance of customer experience as strategic differentiator.

1.7 RESEARCH DESIGN AND METHODOLOGY

Enterprises who seek a sustainable competitive advantage in attracting and retaining customers in a competitive market environment turn to marketing to understand their customers. This understanding is obtained through marketing research which includes measurement of the marketplace.

1.7.1 Marketing research

In this study, customer experience as a possible strategic differentiator in retail banking is investigated. To conduct this investigation the researcher used both quantitative and qualitative research methodologies to measure a customer experience in a retail banking context.

A marketing research process designed by Churchill (2005:40-42) comprise the following steps:

(i) Formulate the problem.
(ii) Determine the research design.
(iii) Design the data collection method and forms.
(iv) Analyse and interpret the data.
(v) Prepare the research report.

The problem formulation (step one in the above process) is pre-empted with a literature study to understand the concepts of a total customer experience and its elements, strategic differentiation and retail banking. This understanding is utilised to formulate the problem of how to measure a total customer experience.

The research design (step two in the above process) begins with exploratory research that includes a review of secondary data, interviewing knowledgeable people or conducting focus-group discussions. If the problem is precise, descriptive or causal research is needed. In this design formulated by Churchill (2005:40), data collection is not flexible but rigidly specified.

This study is based on descriptive and causal research to determine a qualitative and a quantitative measurement method for measuring customer experience.

The third step in the above marketing research process includes sampling. The sample size for the quantitative research in this study has been carefully planned. The total population of the retail bank referred to in the research is eight million customers. A representative sample size was chosen as 19 000 interviews per month or 140 000 per annum. According to Zikmund and Babin (2007:310) the size of the population does not have a major effect on the sample size. The variance of the sample size has the largest effect. The sample was spread over segments, products and delivery channels in weightings to ensure that all areas were equally represented in the sample.

Questionnaires were designed for each strategic business unit of the organisation in order to get a result across the total business model. The questions were formulated in conjunction with the relevant business units. Each questionnaire contained standard questions related to the measurement method, namely to measure service-level needs, attitudes and behaviour. Questions unique to each business unit were added. A customer would be identified as someone who interacted with the bank in either a segment-related matter, a product-related matter or a delivery channel (indicating which questionnaire would be applicable). The initial literature study on the concept of a total customer experience contributed to the development of the questions.

Step four of the process, namely data analysis, was conducted monthly as results were received from the research house. The research house analysed the data received from the research conducted through questionnaires into information. The information was interpreted into strategic, tactical and operational reports per business unit. The business units received very specific feedback on the current status of its customers' experience and proposed actions to improve where applicable.

1.7.2 Measuring customer experience

A quantitative research method, namely Integrated Service Measure (ISM), was used to measure customer experience. The researcher recommended to the executive management of Bank X, a South African retail bank, that a comprehensive measurement framework was needed. Markinor, a research house, was consequently commissioned to develop the measurement framework in conjunction with Bank X. An initial literature study was conducted on the concept of a total customer experience and the knowledge gained through the research was utilised in the development of the content of the measurement framework. A letter to confirm the partnership is attached as Appendix E. This measurement framework was used to measure total customer experience in terms of service needs, attitudes and behaviours. The output of this research method was a customer experience measurement result, a driver model and a loyalty model. The researcher and a team of staff managed the measurement process on a monthly basis, and feedback on progress was provided to Markinor and Bank X.

A qualitative research method (Cynefin) was added in measuring the total customer experience. This method, developed by IBM, uses stories as key input and has themes, values and archetypes as output. The researcher identified the model as an appropriate method to add to the quantitative research and was directly involved in the interpretation of the findings.

1.8 NATURE AND FORM OF THE STUDY

1.8.1 Nature of the study

This is a descriptive or exploratory research study aimed at understanding the concept of customer experience as a strategic differentiator and applying methods to show the potential added value to organisations and customers.

The following important facts should be noted:

(a) The study is based on literature reviews of a global nature, applied in a South African retail banking context.

(b) The methods used in the study show that measurement is possible and that using the measurement outcomes would add value. The actual results of the methods used in the study are examples and do not indicate a set of actual numbers.

(c) The qualitative and quantitative measurement methods as well as the calculation of value to and of customer used in this study will be tested in a real retail bank environment with actual numbers.

1.8.2 Form of the study

This study is about total customer experience as a strategic differentiator and its potential value. The study was conducted in the context of the retail banking industry in South Africa.

The conceptualisation of the study is illustrated in Figure 1.1.

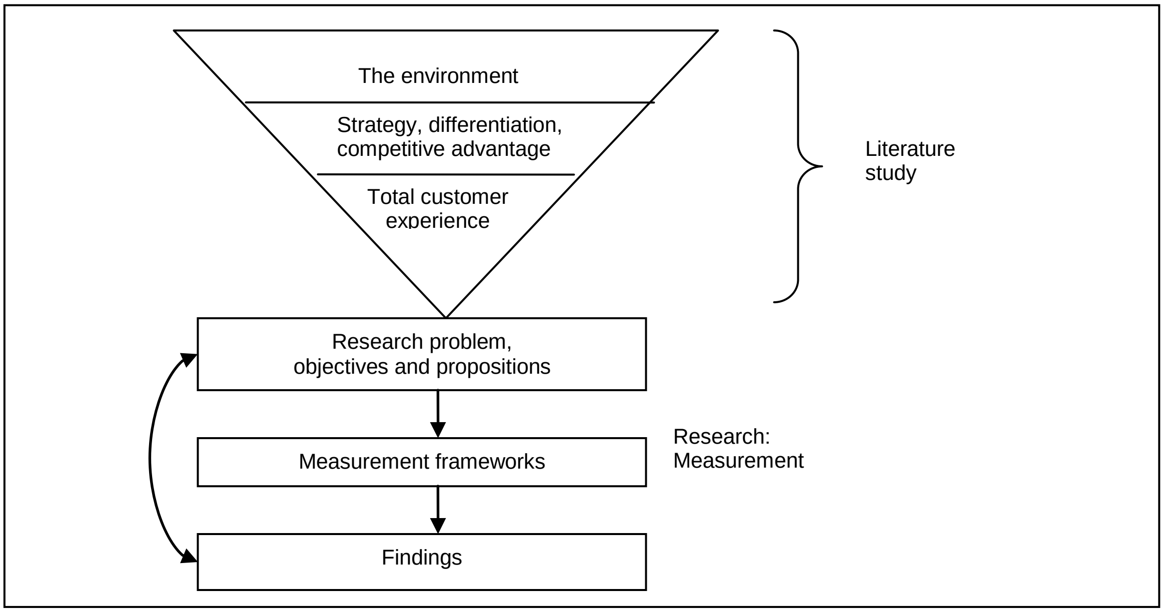


Figure 1.1: Conceptualisation of the study

Source: Author’s own

As illustrated in Figure 1.1 above, the study included the environment as the context of the study, the concepts of importance in the study, namely strategy, differentiation and competitive advantage and customer experience. From this information the research problem and objectives will be substantiated and propositions developed. Two measurement frameworks will then be applied, leading to quantitative and qualitative results. The development of the measurement frameworks and its contents will be based on the findings from the literature study conducted on the environment, strategy, differentiation and competitive advantage and the total customer experience. The findings of the study will be substantiated and linked to the research problem, objectives and propositions.

1.9 CHAPTER OUTLINE

The chapter outline of this study is as follows:

Chapter 1 (current chapter)

Orientation, including the background to the study, literature review, clarification of key concepts, importance and benefits of the study, the research design and methodology, the nature and form of results and the chapter outline.

Chapter 2

A description of the evolution of global and South African retail banking as the contextual environment in which the study is conducted.

Chapter 3

Literature review on the concepts strategy (including competitive strategy), strategic differentiation and the development of a sustainable competitive advantage.

Chapter 4

Literature review on services marketing and other related marketing concepts, the evolution of customer experience, defining the concept, the elements of customer experience and all differentiators leading to customer experience.

Chapter 5

A description of the research problem, objectives and propositions of the study.

Chapter 6

A description and analysis of the design and methodology for the two research methods to measure customer experience from a qualitative and a quantitative perspective.

Chapter 7

A discussion and analysis of the research results of the qualitative and quantitative measurement methods, focusing on the value of the measurement results.

Chapter 8

Linking the research frameworks and findings, the research propositions and the objectives of the study.

Chapter 9

Final conclusions of the study, its limitations, and recommendations for future research.

1.10 CONCLUSION

The retail banking industry is becoming more and more competitive. Obtaining a sustainable competitive advantage is clearly a critical element in the strategy of any bank.

This study aims to show that customer experience can be a strategic differentiator in retail banking.

Chapter 2 focuses on the evolution of the retail banking industry globally and in South Africa specifically as the first focus of the literature study.

CHAPTER 2

THE ENVIRONMENT: GLOBAL AND SOUTH AFRICAN RETAIL BANKING

Great customer experiences are created by consistently exceeding customers' physical and emotional expectations (Shaw, 2005: 27)

2.1 INTRODUCTION

The purpose of this chapter is to describe retail banking as the contextual environment in which this study was conducted.

Retail banking is firstly described globally and then in a South African context in terms of its landscape and trends over the past two decades. A model for a world-class retail bank is described by providing a framework consisting of all the attributes and competencies found in an ideal retail bank environment. The chapter will conclude with a literature study on the evolution of different differentiators in retail banking over time as this study is focusing on differentiation in retail banking.

2.2 THE EVOLUTION OF RETAIL BANKING

This study was conducted within the context of the retail banking industry in South Africa. It is important to describe and understand the evolution of retail banking before customer experience is explained within this context.

Retail banking, according to Croxford, Abramson and Jablonowski (2005:17) is based on a simple, straightforward model within which some people and enterprises have a surplus of funds and some have a deficit of funds and banks borrow from those in surplus and lend to those in deficit.

2.2.1 The evolution of the global retail banking industry

This section deals with the evolution of global retail banking by describing the landscape and retail banking trends over time.

2.2.1.1 The global retail banking landscape

Consoli (2005:462) argues that long before the appearance of sophisticated machines typical of modern banking, Adam Smith captured the two facets of this activity when he summarised banking as a business that is largely run on a private basis but whose effects inevitably concern the public interest. The contract between banking as free enterprise driven by competition versus banking as the authority instituted to safeguard the monetary and financial system has become progressively more pervasive over time.

Consoli (2005:462-463) also states that the pressure due to increasing domestic and foreign competition that emerged after the 1960s stimulated a radical transformation in the global banking system. This pressure and the increasing exposure to international markets acted as an inducement mechanism on banks. During the 1980s banks expanded their range of intermediation activities stimulated by growing cost advantages of electronic over paper based transactions. Falling costs also reduced the barriers to entry and opened the way to the emergence of several competitors. By the mid 1990s the financial services industry was no longer the exclusive domain of banks. The share of deposits accounted for the non-bank institutions has grown consistently in the last 20 years.

“Retail banking is at the core of the complex nexus of funds’ transfer. The supply or retail services involves the organisation of information intensive activities to manage the transfer of purchasing value across time and space” (Consoli, 2005:462).

Streiter, Gupta, Raj and Wilemon (1997:128-129) state that the retail banking industry has undergone significant change during the past 15 years. From the beginning of commercial banking, the cost of its key ingredient – money – was controlled. The business activities in which banks could and could not compete were largely determined by legislation. The cost of funds fluctuates rapidly and there is increased competition from both inside and outside the traditional industry. Challenges confronting bank managers include developing a capacity to meet and exceed the performance levels of sophisticated competitors, a customer-focused marketing approach, the ability to manage numerous and often diverse products and services, the capability to measure both market performance and product profitability, and initiative and entrepreneurial thinking within organisations.

Consoli (2005:465-468) states that the evolution of retail banking in the United Kingdom (and it can be applicable to global retail banking) is characterised by the implementation of new techniques over time. In the mid 19th century the joint stock bank was the dominant form of depository institution in the financial system. The need to assess the creditworthiness of customers was the catalyst for the inception of storing and processing information. This led to an evolution from electric to electronic communication in banking during 1945-1950. The implementation of fast processing units represented a key moment for post war economic development. The changing competitive environment of the 1970s compelled banks to further exploit the benefits of automisation which led to an evolution from processors to databases during 1951-1980.

Consoli (2005:468) also states that after the first installation of an ATM in the mid 1970s the strategic consequences were far reaching. Firstly, automated information processing and communication rasied challenges to the existing methods of service provision. Secondly, a swarm of complementary applications fostered specialisation in parallel markets. Thirdly, customers' specialisation was stimulated by the possibility of carrying out free-from-branch transactions. Fourthly, banks foresaw the potential benefits of cooperation as they could no longer profitably co-exist in a free-from-competition framework. This led to competition and cooperation being important and banking focusing on being anytime and anywhere.

During the 1990s, banking experienced considerable change (Trethowan, 1997:60). An increasingly innovative and aggressive financial services environment together with deregulation created more competition and a seemingly endless variety of products. Successful retail banks recognised the need to adapt to the changing environment and to provide employees with a vision of service quality.

The use of technology (e.g. ATM networks and electronic data warehousing systems) helped the banks to improve the efficiency of their operating processes. In turn, the banks obtained more and better information on their customers, thus increasing the opportunity for service quality (Trethowan, 1997:60, 63, 68).

According to Segura (2007:1-2) retail banking customers globally engage in more than 200 billion interactions with their financial institutions. Each interaction has the potential to either create value and strengthen the customer relationship or leave customers feeling satisfied or dissatisfied. Therefore innovation and adaptation are critical to industry leadership. As the world economy gains momentum in its long delayed recovery, retail banks are reinventing themselves as flexible, dynamic sales organisations at the front end and efficient low cost processors at the back end. Driving this reinvention is intense local and global competition. The key to staying ahead lies in leveraging all available customer relationship management mechanisms in order to ensure that retail banking customers can get what they need when they need it, while ensuring that banking operations have real-time relevant access to information about customers and critical operations across the enterprise.

Banks differ from other organisations in that their trading position is directly influenced by the profile of their balance sheets (Trethowan, 1997:67-68). Banks are increasingly anxious to measure the profitability of their products and to aggregate product portfolios in order to determine the profitability of each customer.

Changing lifestyles and increased affluence gave rise to higher service expectations by customers. Banks are addressing their profitability by demand-side measures such as aggressive marketing and recovering costs by fees and charges, and customers are seeking supply-side strategies from their banks. These supply-side measures include product quality, delivery and the competence of bank personnel (Trethowan, 1997:67-68).

According to Deloitte Touche Tohmatsu (2005:1-20) the global banking industry entered 2005 with the challenge for management to take advantage of a favourable economic outlook in most countries. Most banks were seeking to grow revenues through a judicious mix of organic growth and targeted acquisitions, while continuing to ramp up operating efficiency. Management and boards of directors had to enhance their management of risks inherent in banking while complying with ever increasing regulatory requirements.

In 2005 Deloitte Touche Rohmatsu (2005:1-20) identified the following 10 key issues retail banks are facing for the next few years:

(i) Consolidation: Achieving strategic balance

Mergers remain a critical competitive tool, but with a difference. More banks are now using mergers to fill gaps in their product mineups or their geographic coverage, rather than simply seeking economies of scale.

(ii) Retail renaissance: Bonding with customers

Retail banking is back in favour, with banks expanding their retail franchises and building branches. To succeed, banks will need to learn from leading retailers how to provide high quality service to enhance the customer experience.

(iii) Grooming the next generation of talent

The skills required among bank employees at all levels are changing rapidly. Keeping pace will require that banks do a better job at identifying and developing their most talented employees.

(iv) The off shoring decision

Some banks have enthusiastically embraced off shoring in an effort to cut costs, while others remain sceptical.

(v) Transforming the finance function

The finance function has never had more demands placed upon it – from meeting increasing legislative and regulatory requirements to playing a central role in executing acquisitions.

(vi) Monitoring credit quality

Increasing debt levels and personal bankruptcy filings have raised concerns that credit risk is on the rise.

(vii) Achieving comprehensive governance of risk management

Risk management is more complex than ever before, spurred to a significant extent by new requirements such as Sarbanes-Oxley and the Basel II Capital Accord.

(viii) Basel II: Driving enterprise-wide change

In preparation for Basel II, major banks have been working for the last several years to improve their management of credit and operational risk.

(ix) Corporate governance: boards in the spotlight

The increasing focus on corporate governance by regulators, the media and investors has placed new demands on banks and their boards of directors.

(x) The last stretch for IAS 39 implementation

The fair value propositions of IAS 39 of the International Financial Reporting Standards (IFRS) which were finalised in 2004 will have important implications for business systems and strategy. Banks complying with IFRS will face significant challenges in making the transition to the new standards in the coming years.

2.2.1.2 Global retail banking trends

Against the background of the global retail banking landscape depicted in the previous section, the following trends depict the evolution of global retail banking over time.

Due to rapid advances in technology during the past 30 years, the retail banking sector has moved from "face-to-face" selling to direct marketing of products and services in the form of telephone, mail or computer transactions. The industry has become aware that certain consumers are receptive to this new way of marketing financial services. In addition to the differences among consumers, there might also be differences across types of financial products and services (Lee, 2002:238).

- Trends 2005

In 2005 The Council on Financial Competition (2005:2) identified the following trends that govern the way banks operate globally:

(i) Consolidation

Banks are using strategic mergers to enter new markets and to balance their volatile businesses with more stable revenue streams provided by retail banking.

(ii) Retail resurgence

Banks are showing an interest in retail banking as a strong potential source for revenue growth. They focus on branches to build profitable relationships with customers.

(iii) Outsourcing

The research suggests that by 2010, outsourcing will save the typical large financial institutions some $1, 5 billion annually. If outsourcing is compatible with a bank's capabilities and culture, tapping into a global labour market may yield significant improvement in operating efficiency.

(iv) Restructuring finance functions

Banks face increasing regulatory and business responsibilities, and there is a growing trend in centralising corporate finance functions.

(v) Change in payments

Electronic payments will accelerate over the next couple of years. Innovative, multichannel payments will continue to grow on the retail side (e.g. Peer-to-peer (P2P) payments in the US and contact fewer payments in Asia). These payments typically replace cash or debit transactions, although they also replace low-value credit transactions.

(vi) Security and fraud

Several factors are driving banks to invest more heavily in IT and human resources to combat fraud, for example increasing exposure across virtual channels, regulatory compliance and continuing attacks against cards at point of sale (POS) and ATMs.

In addition to the above, Bird (2006:10) identified the following trends in global retail banking:

a) The early predictions of the death of the branch were greatly exaggerated.

b) Innovation in payments, most notably remote-deposit capture, is contributing to the acceleration of electronic transactions, as are changes in debit card use. Fewer transactions are consequently made at the branch.

c) The swinging sales pendulum, meaning that the retail banking industry has consistently failed to execute a sound sales process at retail outlets.

d) Goals are sometimes so far outside a person’s line of sight that the person does not know how to achieve them. Great retail banks have been setting behaviour goals for their retail bankers, much like they do for commercial lenders.

e) Net interest income has been created because customers have changed their behaviour. Fee income, particularly from insufficient funds and courtesy overdraft fees, has peaked for many banks.

f) Group banking has been a neglected approach in business development. Most banks typically bundle a host of retail products and services and sell haphazardly to various organisations.

g) Banks have been involved in branding initiatives for years, but most have not been compelling - evidenced by the elimination of almost all acquired branding in recent years. However, banks are beginning to understand the value of a strong brand, especially where Internet banking is concerned.

h) Plastic has become beautiful. Credit cards are back as a source of margin and fee income, and the number of debit transactions is growing rapidly.

- Trends 2006

The implications of these trends as identified by Bird (2006:10) are that retail banking needs to focus on branch banking as the core delivery channel, but continue to find innovative ways of delivery and payment solutions for remote banking. Retail bank management must realise that customer needs have changed and therefore approaches to banking offers and branding play a more important role in banking.

The World Retail Banking Report 2006 (Capgemini, 2006:4, 17-20) reported two key focus areas in retail banking that are of utmost importance globally, namely pricing and remote channels. The 2006 report highlights the diversity and complexity of the retail banking environment. Despite different regional approaches to product categories, different patterns of price evolution within countries and different underlying pricing models, the report shows a common move to drive customers to remote channels through pricing structures.

Detailed findings on the two key focus areas in retail banking are as follows (Capgemini, 2006:4, 17-20):

(i) Pricing

Various pricing models exist in retail banking. Prices vary according to usage patterns. Fierce competition (USA) and evolving retail banking markets (Eastern Europe and China) have prompted changing price structures. Banks are reducing remote-channel prices in order to improve customer usage. The prices of seldom-used products have steadily increased over the past two years. Banking services follow the standard industrial development pattern in which prices decline with maturity.

(ii) Remote channels

Banks share a common vision of the evolution of their remote channels:

- Sales through remote channels are expected to increase dramatically.
- Services are losing the human touch.
- Branches will focus on proactive advisory sales.

Banks face obstacles in achieving the vision of the evolution of their remote channels, which raise the following important issues:

- The profitability of proactive advisory approaches.
- The efficiency of remote channels as launching pads to push sales.
- The ability to meet customers' high expectations of the multichannel experience.
- The capability to strengthen customer relationships via electronic channels.

A new customer relationship model is emerging as banks rethink their distribution models:

- Continue to develop competitive remote sales and service offerings.
- Craft outbound campaigns with greater precision and attention to feedback while also leveraging inbound customer contacts.
- Adapt branches to deliver key "account moments" (the specific interaction a customer has when transacting on his or her account) and enhance relationships.

Choice is becoming a very important aspect in the lives of retail banking customers. According to Devlin and Gerrard (2004:13), a host of choice criteria emerged in selecting a retail bank. The findings indicate that the influence of recommendations has increased significantly. Other factors that increased in importance are incentives, a wide product range and economic factors such as interest rate paid and fees and charges levied. Location factors (e.g. choosing a bank close to home or near the workplace) have decreased significantly in importance. Criteria such as a bank's image and reputation and expectations about its levels of service remained constant over time.

Retail banking continues to evolve and industry frontrunners are defining the benchmarks (Bird, 2006:10).

The Boston Consulting Group (2007:1-2) stated at the end of 2007 that retail banks are facing intensifying competition and continuously declining margins around the globe, leading to pressure on banks to take forceful steps both to protect and expand their customer bases at home and to explore high-growth markets abroad. Deregulation and the opening of international markets, ongoing regionalisation and globalisation in the industry, the expansion of direct and online banking and rising customer expectations are putting banks under intense competitive pressure. Retail banks will remain the dominant source of revenue for banks worldwide through 2015.

- Trends 2007/8

In 2007 and 2008 economic pressures impacted dramatically on the global retail banking landscape through the USA sub prime mortgage crisis. According to TowerGroup (Banknet India, 2008:1) top retail banking trends for 2008 find that bankers are anxious on two folds, namely unforeseen threats that may not have surfaced in their credit portfolios and how institutions can compete rationally during volatile times.

TowerGroup (Banknet India, 2008:1) states that retail banks will return to proactively approaching their markets only when the extent and expected duration of the credit crisis is understood. Retail banks are continuously focusing efforts on a number of business drivers and technology investments that will provide longer-term benefits.

Kathleen Khirallah, Tower Group managing director and practice leader of Retail Banking (Banknet India, 2008:1), argues that the key issue for retail banks in 2008 will be managing growth and profitability while adapting to an ever-changing economic climate. Opportunity can be found in adversity and retail bankers that pursue cautious forward movement will be rewarded.

Other key trends for global retail banking identified in 2008 are (Banknet India, 2008:1):

(i) Sustaining organic growth – growth not related to mergers and acquisitions.
(ii) Disclosure of customer information – focus on information security.
(iii) Continuous focus on streamlining payment processing.

Temkin (2006:1-12) mentions the following strategic imperatives that banks need to address in order to respond to the trends in the retail banking industry:

(i) Retail banks need to embrace opportunities in new markets – especially emerging markets.
(ii) Refocus customer relationships through technology and innovation. Innovative customer experiences drive growth. Products are rarely differentiated and competitors can copy quickly. Financial institutions are increasingly relying on technology to enhance customer experience.
(iii) Adopt a principle-based approach to regulatory compliance.
(iv) Address risk in the context of an enterprise risk management framework.
(v) Capture assets in the retirement market. Due to the South African demographic profile, the impact will not be as pronounced as in the developed nations.

According to Boston Consulting Group (2007:1-2) retail banks will face major challenges over the next five to ten years given the trends evolving in the industry globally. The winners will be those that succeed in the following:

(i) Adapting a winning business model to defend and differentiate themselves from an increasing number of attackers in home markets.
(ii) Increasing direct and online banking profiles and becoming successful acquirers and inegrators.
(iii) Achieving better cost efficiency by fully exploiting the power of process.
(iv) Building meaningful presences in markets that offer the steepest growth potential.

The global retail banking landscape has been continuously changing over time due to the impact of the changing macro environment with its economic, political, social and technological factors. The retail bank branch remains the primary channel for interaction with customers. Trends in branch banking are therefore important to look at specifically.

Burgess, Hyde, Kamra and Bhasin (2003:1) refer to broad trends in branch banking that indicate a revival of branch networks as effective environments for cross-selling. Branches are becoming focal points in the distribution of products. Banks are also forming strategic alliances with retail organisations to sell third-party products.

However, Burgess, et al. (2003:1) warn that the retail banking industry is in danger of becoming "over-branched" if new branches continue to be opened at the current pace. Branch models for the future include the franchise model (banks sell branches to third parties which use the bank's brand in operating outlets), the in-store model (banks establish branches inside third-party retail stores), and the shared model (multiple banks use a single branch to reduce branch operating costs).

Up to 90 percent of customer relationships are formed – and lost – in branches (Burgess, et al., 2003:1). Banks will not succeed at maintaining and growing customer relationships unless they provide quality sales and services at the branches. The "re-invented branch" …

- is a financial services resource centre
- has the necessary skills to deliver customer solutions at the point of contact
- is "stocked" with modular advice and product packages
- is aligned to local geo-demographics
- serves as the hub of a multichannel offering (Burgess, Hyde, Kamra and Bhasin, 2003:1-3).

Retail banks can learn from the retail industry when it comes to retail customer experience. There are five dimensions of importance to consumers in assessing their satisfaction with an in-store shopping experience (Terblanche & Boshoff, 2001:11), namely merchandising value, personal interaction, merchandise variety, internal store environment and complaint handling. Customer retention at the retail level is particularly complex as customers can establish relationships with salespeople, stores and brands. The relationship can not be maintained as the organisation can not monitor the experiences of customers as it is their choice. Relationships can’t be built over time if the customer deals with a different person every time they interact with a certain organisation.

This section described the context within which South African retail banking is operating. The trends in the global retail banking environment are totally relevant to the South African retail banking environment.

2.2.2 The evolution of the South African retail banking industry

Within the context of the evolution of global retail banking through its landscape and trends as described in paragraph 2.2.1 the South African retail banking industry is a player to be reckoned with. The evolution of the South African retail banking industry through a description of its landscape and trends are described in this section.

2.2.2.1 The South African retail banking landscape

Banking in South Africa has its roots in both the British and Dutch traditions. Banking in South Africa can be traced back to the early 1860s and in 1903 the first bank branches were opened (Singh, 2004:187-188).

Since the establishment of a banking industry in South Africa a century ago, a successful evolution has taken place. According to the President of the Reserve Bank at the end of 2004 (Mboweni, 2004:1-3) South Africa has a well-developed banking system that compares favourably with those in many developed countries. South African banks are well managed and utilise sophisticated risk management systems and corporate governance structures.

South African banks are regulated in accordance with the principles set by the Basel Committee on Banking Supervision. Banks in South Africa comply with international sound practice and offer a sophisticated banking system to the public. Customers have online, real-time, nationwide access to their bank accounts. South Africa is also well positioned to provide global services through the international offices of banks and the presence of international banks in South Africa.

Five major groups continue to dominate the South African banking sector, namely the Absa Group, the Standard Bank Group, the FirstRand Bank Group, Investec and Nedcor. These major banks offer a wide range of services to both individuals and corporate customers. One-stop relationship banking (forming one relationship across products and services), with an emphasis on universal banking instead of isolated services, has gained in importance during the past few years.

South African retail banking operates on a world-class standard and all the trends listed above as global retail banking trends are relevant to the South African context (Mboweni, 2004:1-3).

A task group for the South African Reserve Bank conducted a study on competition in South African banking during 2004 (Falkena, 2004:iii) and came to the conclusion that South Africa’s sound and profitable banking system is an excellent foundation upon which to encourage conduct conducive to effective competition.

Market capitalisation of the South African banks has soared from around R200 billion at the beginning of 2005 to R360 billion 18 months later. The rising tide of consumerism, increased regulation and Financial Sector Charter obligations that require significant capital outlay without any real guarantee of returns, are some of the pressures on retail banks (Whitfield, 2006:12).

Minister of Finance, Trevor Manuel, said in June 2007 (Moneyweb:2007) that the South African financial sector, of which the retail banks are a significant part, was one of the first sectors to adopt a collaborative process to deal with issues of our historically skewed ownership structure. An innovation in South Africa at the time, the financial sector came together with all major stakeholders and agreed to tackle empowerment issues in a multidimensional approach. The Financial Sector Charter was signed, committing all participants to increase access to financial services, especially the poor, to broaden ownership to include historically disadvantaged individuals, to invest in staff development, especially for black women, and to invest in transformational public projects such as transport, housing and retail developments. This charter is an example of how empowerment can be interpreted to allow all parties to win.

Manuel (Moneyweb: 2007) complimented the retail banks on the introduction of the Mzansi account, targeted at low-income groups and providing certain basic services at low cost. To date there are three million Mzansi account holders in South Africa, notching up a major success in broadening access to financial services to low-income groups. Despite these successes, high banking charges are still an obstacle to even faster growth in the retail banking sector.

Whitfield (2007:36) states that retail banking remains the driving force behind the financial services sector's continued growth. The large banks in South Africa are all heavily dependent on their retail banking operations. The bias to retail banking has borne handsome rewards with significant increases in customer bases and volumes through branch networks

In 2007 the Governor of the South African Reserve Bank (Mboweni, 2007:1) stated that low and stable inflation provides an important framework for economic growth, but regulation and supervision of parts of the financial sector, as well as the oversight of the payment system ensure that the wheels of the economy continue to turn efficiently. The South African financial markets have however not been spared the effects of the volatility in the global financial markets and South African banks need to be increasingly vigilant of the risks posed to the domestic economic landscape.

2.2.2.2 South African retail banking trends

From describing the evolution of retail banking in South Africa there are key trends in the local retail banking industry which create the context for customer experience as researched in this study.

In 2004 the President of the South African Reserve Bank, Mr TT Mboweni (2004:2-3), identified the trends that shaped the South African retail banking industry over the past 10 years (1994 – 2004). These trends occurred against the background of global financial turbulence in many countries and significant depreciation of the South African currency in the latter part of the decade.

Trends in South African banks over the period of 1994 to 2004, since the democracy has become a reality and markets opened up, are as follows (Mboweni: 2004):

(i) Balance sheet structure

The aggregated balance sheet of all banks in the South African banking sector grew substantially from 1994 to 2004. Domestic deposits from the public remained the main source of funding for the banking industry.

(ii) Profitability

The efficiency of the banking industry can be determined by expressing operating expenses as a percentage of total income. Since 2002 a constant improvement has been noted.

(iii) Capital adequacy

The change in focus of the regulatory authorities from direct controls to a more market-based approach has been accompanied by an emphasis on proper capitalisation, sound risk management procedures and greater disclosure. South Africa adhered to the capital adequacy guidelines for banks promulgated by the Basel Committee on Banking Supervision.

(iv) Non-performing loans

Of great significance was a decrease in the growth of total non-performing loans during 1994 – 2004.

These trends provided a solid foundation for retail banking in South Africa to continue improving as a key industry in the South African economy.

There are unique trends in the South African retail banking industry, for example the geographical nature of South Africa and the different needs in different areas of the country, the role of regulation and specifically the National Credit Act, and the South African customer base and customer behaviours and needs.

(i) Regulation in South African retail banking

Regulation has always played an integral part in South African retail banking. The most recent legislation is the National Credit Act of 2006. This legislation will have a significant impact on retail banking. In terms of this Act, all credit providers must issue a documented quote for the proposed credit to customers to allow the customer to make comparisons with other credit providers. All South African retail banks are re-engineering their processes, especially the rates and fees they charge, to ensure compliance with this legislation. This affects all systems across the board and also implies that large numbers of staff have to be trained. The most significant change will be to establish an improved audit trail to ensure that the banks have completed all the correct processes. The challenge of the National Credit Act is that credit agreements must be provided in two languages and specifically the most commonly used languages in the particular area where the provider operates (Von Zeuner, 2006:54).

(ii) Customer focus and behaviour in South African retail banking

According to Brauer (2005:49), the retail banks need a razor-sharp customer focus as their offerings begin to look more like commodities. It is critical for retail banks in the current environment of consolidation, acquisitions and mergers to understand the changing and increasing expectations of customers.

South African retail banks are falling through the delivery gap, with only one out of two customers perceiving positive value from providers. Mere retention of customers is not enough to fully unpack the multifaceted relationship service providers have with customers (Brauer, 2005:49).

Brauer (2005:49) says that truly loyal customers are typically pleased with the products and services they receive from their providers. Positive sentiment together with a positive behavioural disposition comprises the quintessence of customer relationship management. The ease of doing business, the extent of perceived customer centricity, and the quality of products and services and brands are the most important factors in creating positive sentiment and business-enhancing behaviour from customers. Modern retail banking customers expect high-tech solutions, but they still want high-touch service based on a return to relationship-driven business practices.

Therefore, the challenge in retail banking is to find the correct balance through a relationship driven service that is enabled by the latest technology.

A study by Bick, Brown and Abratt (2004:300-318) about customer perceptions of the value delivered by retail banks in South Africa showed that customers were not satisfied with the service, products and level of customer intimacy delivered to them by their banks. Recommendations were made to retail banking management that operational excellence must be achieved through market or customer focus and that retail banks need to understand their customers through engagement.

This is an important trend to keep in mind in this study as customer experience as a differentiator is investigated within the context of the current customer focus and behaviour of customers within the retail banking industry.

(iii) Rural retail banking in South Africa

Retail rural finance is currently one of the most important focus points in retail banking in South Africa. Coetzee (2007:1, 4) says that the challenge to retail banks in South Africa is to provide access to banking to people in rural areas. The rural retail banking market is a unique market in the sense that financial transactions take place between retail banks and customers, specialised credit institutions and customers, and between moneylenders and customers. A substantial amount of state funding through grants is a part of this unique market. According to Coetzee (2007:1, 4) the concept of decentralised financial services is also important as some village-level financial services are organised by local communities. This is the essence and origin of financial intermediation.

It is clear from the above that retail banks in South Africa face the challenge of serving a vast array of market segments with different needs over an extensive geographical area. South Africa is among global leaders in new technology development for the delivery of products and services, but considerable customer education is required to serve all the relevant segments.

(iv) Internet banking in South Africa

Singh (2004: 187-196) states that Internet banking in South Africa started in 1996. The start was fairly slow but customers were attracted to the convenience, safety and low costs of online banking. Internet banking is utilised by the retail banking industry to give customers an alternative delivery channel. Access to the Internet is however limited in South Africa and therefore retail banks offer internet access facilities in branches. Internet banking is not increasing as rapidly in South Africa as it is in other developed countries globally.

(v) Mobile banking in South Africa

The rapid spread of mobile phones means that the number of mobile users exceeds the number of banked people in many low income countries (Porteous: 2007). According to Ivantury and Pickens (2006:1) one third of the 16 million South Africans who do not have a bank account own a mobile phone or have access to one. The opportunities for mobile banking in South Africa are much bigger than Internet banking due to access.

Porteous (2007:3) argues that mobile banking has the potential to be transformational for the following reasons:

- It uses existing mobile communications infrastructure which already reaches unbanked people.
- It may be driven by new players such as telecommunication companies with different target markets from traditional banks.
- It may harness the power of new distribution networks for cash transactions such as airtime merchants, beyond the conventional merchant POS or ATM networks of banks.
- It may be cheaper than conventional banking if the offering is competitive.

Mobile banking therefore offers a lot of opportunities in reaching the unbanked market but it creates challenges for retail banking as competition increases.

This section depicted the landscape and trends currently relevant in the evolution of the retail banking industry in South Africa and it provides the necessary context within which this study will be conducted.

2.3 MODEL OF A WORLD-CLASS RETAIL BANK

In paragraph 2.2 the retail banking industry has been described globally and specifically in South Africa. Retail banks globally consist of attributes and competencies which were developed over time and which are impacted on by the trends and environmental changes described.

The Council on Financial Competition (2005:1) developed a model that depicts a world-class retail bank. In other words, a model depicting the ideal and complete retail bank against which retail banks can benchmark their competence. The model consists of 20 attributes of a retail bank and the competencies the organisation needs to fulfil these attributes, namely:

(i) Product development

Competence: Incorporate customer preference and feature elasticity into every offer design.

(ii) Customer profitability

Competence: Effectively deploy marketing analytics and use current and potential value to identify viable prospects.

(iii) Branch strategy

Competence: Position branches to aggressively pull in the customers they wish to attract.

(iv) Customer segmentation

Competence: Identify meaningful segments and an economically viable, distinct customer value proposition for each.

(v) Customer relationship development

Competence: Make on-boarding of customers, including their ability to switch products easily, fast and efficient.

(vi) Brand clarity

Competence: Staff and customers easily and consistently describe the brand in the same way.

(vii) Channel resource optimisation

Competence: Deploy channel resources effectively to drive customer value.

(viii) Customer experience

Competence: A unique customer experience enables the bank to command a price premium.

(ix) Customer communication

Competence: Understand the attitudes and goals that motivate the purchase decisions of chosen customers.

(x) Product purchase

Competence: Products are easy to find, simple to buy and uncomplicated to use.

(xi) Problem resolution

Competence: Customer problems are resolved quickly and effectively.

(xii) Channel planning

Competence: Transaction behaviour is captured at customer level, reliable activity-based costs exist for all transactions through all channels and these inputs are effectively used for channel planning.

(xiii) Integrated multichannel distribution

Competence: Customer information and activities travel seamlessly across all channels, enabling customers and staff to complete and review transactions in real time.

(xiv) Customer-focused service

Competence: The entire organisation is organised, evaluated and compensated to service customers regardless of internal divisions or silos.

(xv) Continuous service improvement

Competence: Customer satisfaction and loyalty are regularly measured and the results integrated into service improvement initiatives that "eliminate points of pain and create moments of delight".

(xvi) Customer management

Competence: Customer product holdings are holistically monitored and customers are proactively contacted to discuss better product offers when their needs change.

(xvii) Relationship benefit

Competence: Offer transparent and compelling value to customers who bring more business.

(xviii) Customer-focused sales

Competence: Staff have to be completely product and channel agnostic and are empowered to make appropriate decisions on behalf of customers.

(xix) Customer needs-driven sales

Competence: The organisation is aligned to deliver integrated, needs-based solutions to customers to enable their life events.

(xx) Sales resources development

Competence: The organisation has an institutional sales process to ensure that sales resources are effectively aligned to the value the bank brings to the customer and the value the customer brings to the organisation.

This world-class retail banking model provides the above attributes to operate as a successful retail bank. However, this model has the following implications:

(a) All the attributes must be established and must be in place to operate as a world-class retail bank.
(b) All the competencies must be developed and must be in place to operate as a world-class retail bank.
(c) This model can be utilised to evaluate the competencies that are in place in a given retail bank at a given time.

The model of the world-class retail bank and its utilisation as an evaluation tool are included as Appendix A to this study.

The purpose of including this model to this study is to show the attributes of a retail bank as the context for the customer experience being defined as a holistic concept touching all the attributes of the bank that the customer is dealing with. It also depicts the total bank scope that is utilised in measuring the total customer experience. It therefore creates the context for understanding the environment within which this study is conducted.

2.4 THE EVOLUTION OF DIFFERENTIATION WITHIN RETAIL BANKING

Although the concept of differentiation will be described in the next chapter the researcher wants to give a description of differentiators within the context of retail banking in this section.

Against the theoretical background above in terms of trends and the ideal retail banking model, in the world of banking, and more specifically retail banking, a competitive advantage can be achieved through differentiation in terms of various elements in retail banking. Product, price, service and a total customer experience are four key elements known as possible differentiators (Shaw, 2005:20). (Other possible differentiators are delivery channels, technology, processes and people). These possible differentiators will be dealt with in detail in Chapter 4 of this study. This section only describes the utilisation of the differentiators in retail banking.

The retail banks we know come from two gene pools. One was what we would call “commercial banks”. These banks frequently started in agriculture and lending to farmer customers. Then they began to take deposits and issue local bank notes. With industrialisation, the banks widened their business, took deposits from and loaned money to commerce and industry. The banks enabled businesses to pay one other, in other words to clear cheques - hence the name “clearing bank”. Over time they amalgamated and became national institutions (Croxford, et al., 2005:8-9).

The second gene pool, the savings banks, building societies and credit unions, had different roots. These groups developed in towns as friendly societies or credit unions helping their members to buy houses and essential items (Croxford, et al., 2005:8-9).

It is clear from the above that banks started off providing basic products that were the same from bank to bank. Bank products are currently packaged and bundled differently, but the product has remained a possible element for differentiation in banking.

The period until the eighties was the golden age of the traditional bank manager, an important figure in society. However, these banks were only accessible to people with money. The bank manager of old is largely a myth, because he acted as a private banker to the most lucrative customers. The non-myth is that bank managers were able to make decisions within defined limits. Today’s customers do not miss a bank manager; they miss local autonomy and local decisions based on local knowledge and local contacts (Croxford, et al., 2005:8).

The above is a description of service in the eighties through a personal relationship as the differentiator. As the role of the bank manager changed and as relationship management became linked to the top end of the market, and since the introduction of electronic banking, service has become a challenging differentiator. It is still an important differentiating element.

Croxford, et al. (2005:9) say that until the eighties, the government fixed the loan interest rates and the amounts that could be loaned, and the banks themselves set the deposit rates. There was little competition between banks and none from elsewhere. The situation changed in the 1970s and 1980s when the government effectively deregulated financial services - which then proceeded to let rip. Within a period of some 25 years, banks moved from simple loans and deposits to a wide range of lending, and savings products became dependent on technology and entered into real competition with other banks and other organisations. All this meant rapid change within a powerful ethos. Pricing started to come into play and has been a challenging element of differentiation ever since.

According to Croxford, et al. (2005:83) banks differentiate themselves from each other through the effectiveness of their strategic decisions. This implicitly includes their cost of operations and containment of risks. In addition, marketing, sales, product development, service quality, branch, automatic teller machine (ATM) distribution and many other activities impact on performance. Banks are continuously chipping away at their costs. However, most such activities are not fundamental in nature. They do not address the long-term legacy of a deeply embedded cost structure for operations and administration.

These activities can become tactics that have a moderate impact on growth and/or performance improvement strategies. Fundamental differentiators are more powerful than tactical differentiators; they are more difficult to create and more difficult for competitors to compete against (Croxford, et al., 2005:83). Strategic differentiators that would support and improve the market, or propel a bank into a higher level of performance are few and far between, pricing being the most obvious. However, service and customer experience are important differentiators (Croxford, et al., 2005:83).

"Strategic differentiation and customer perceived value are the cornerstones of customer divisibility and creation of advocacy and customer experience is critical in achieving this" (Lowenstein, 2005:71).

A major differentiator between the services provided by financial institutions manifests through customer care and service which are seen as prerequisites of customer satisfaction, retention and loyalty. Financial services executives report that service is the highest ranked opportunity available to truly differentiate themselves from competitors in the market (see Figure 2.1 below) (Council on Financial Competition, 2004:1).

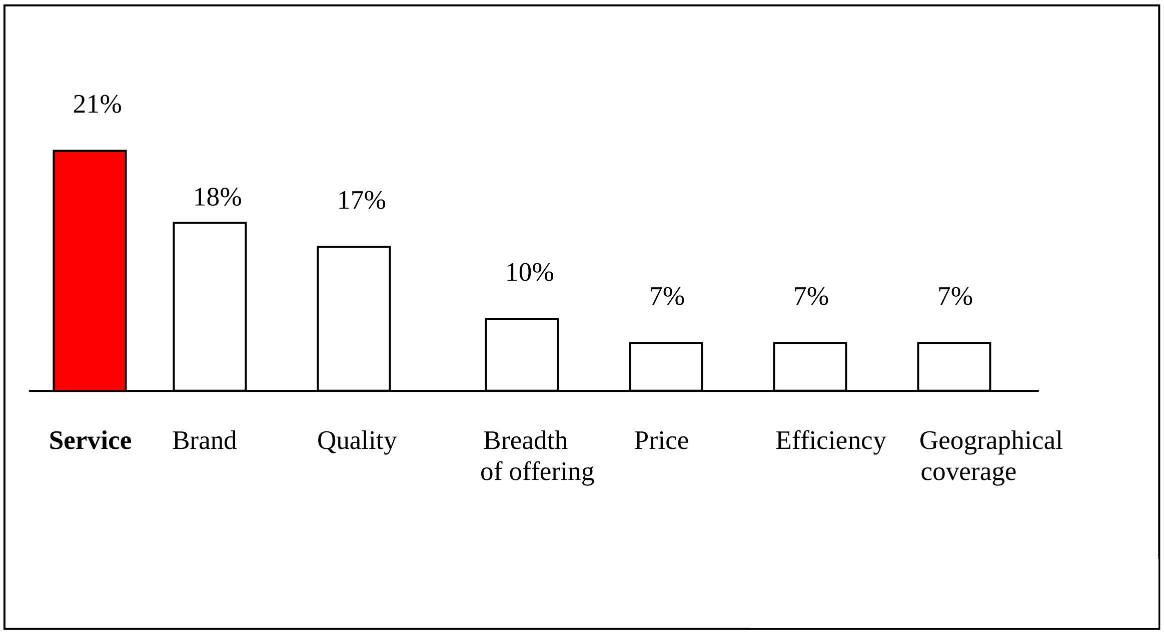


Figure 2.1*: Most frequently mentioned factors of differentiation in financial services organisations (weighted average)*

Source: CapGemini Ernst and Young (2001:17-26)

New research by BAI (a research company assisting financial institutions to improve their performance) indicates that improving the customer experience is the best means for retail banks to differentiate themselves and avoid commoditisation. It's all about customer experience, particularly customer experience at the branch. More than 80% of retail banking executives identified investment in customer experience initiatives as critical to breaking the cycle of commoditisation (McAdam and Pine, 2006:50).

A differentiation strategy can lead to a sustainable competitive advantage in a particular industry or market. “The recognition that strategy combines the questions of “where” and “how” creates a continuing flow of temporary and shifting competitive advantages” (Eisenhardt, 1999:65).

2.5 CONCLUSION

Retail banking as the environment within which this study will be conducted, has been thoroughly defined in this chapter.

The researcher discovered through the literature studies that retail banking evolved over time into a sound and competitive industry. Global trends depict a foundation of fundamental features that leads to competitive and profitable retail banking. Changes in the external and internal environment impacted on retail banking over time leading to structural changes and changes in management and operational approaches, but the fundamentals of a world class successful retail bank remained the same over the past centuries.

The retail banking industry in South Africa is an active player in the global context and therefore the key trends in global retail banking are all applicable in South African retail banking. The South African environment consists of a few unique features due to the stage of development of the country and its population as well as its geographical nature. This led to specific trends that evolved within the South African retail banking industry.

A model of a world class retail bank (Council on Financial Competition, 2005:1) as described in this chapter gives a context within which the concept of customer experience and the measurement thereof, as will be dealt with in the next chapters, can be positioned and understood.

The chapter has concluded with a description of the various differentiators that were focused on over time in retail banking strategies, globally and in South Africa. It provides a theoretical background to the evolution of customer experience specifically within a retail banking context.

Against the background of the evolution of retail banking globally and in South Africa, the researcher will now describe the concepts of strategy, differentiation and a sustainable competitive advantage in the next chapter.

CHAPTER 3

KEY CONCEPTS RELATED TO THE TOPIC OF THE STUDY: STRATEGY, STRATEGIC DIFFERENTIATION AND A SUSTAINABLE COMPETITIVE ADVANTAGE

Strategy means making clear-cut choices about how to compete – Jack Welch
(Thompson, Strickland and Gamble, 2007:2)

3.1 INTRODUCTION

This chapter explores and investigates the key concepts of strategy, strategic differentiation and sustainable competitive advantage as described in Chapter 1 as key concepts to the study.

The topic of this study is about strategic differentiation. The research problem formulated in paragraph 1.2 of the study implies that a strategy of differentiation needs to be developed and implemented to enable an organisation to obtain a sustainable competitive advantage in its industry.

The previous chapter addressed an understanding of the retail banking industry. Against this background it is important to understand the concepts of strategy, differentiation and competitive advantage. The first question to be answered is: What is strategy? Strategy will be defined and features of the concept of strategy will be explored. The researcher will then proceed to the concept of strategic differentiation and an analysis and description of this second very important concept in the research problem will follow. If an organisation applies a differentiation strategy, the result should be a sustainable competitive advantage - the third concept that is analysed in this chapter.

3.2 STRATEGY

The concept “strategy” is researched and analysed in this section by describing the meaning of the word strategy, describing the evolution of strategy over time, leading to defining strategy and more specifically competitive strategy. The levels of strategy, approaches to strategy and the implementation of strategy will then be described. This section is concluded with important relations of other concepts to strategy, which are relevant to the topic of this study, namely strategy and operational effectiveness; strategy and decision-making; strategic thinking and strategy and culture.

3.2.1 The word “strategy”

Strategy has its origin on the battlefield. The leaders with the better strategy were usually the more successful. According to Goldman and Nieuwenhuizen (2006:2-5), strategy is about choice. Strategy is therefore important to every organisation because it relates to many important decisions:

- Strategy is a mind-set and thinking issue.
- Strategy is a change management issue.
- Strategy is the key to growth.
- Strategy is an entrepreneurial issue.
- Strategy is an innovation issue.

The word “strategy” derives from the Greek *strategia*, meaning “generalship” which itself is compounded from two words, *stratos*, meaning “army” and *agein*, “to lead”. (Pietersen, 2002:41).

Mintzberg (Mintzberg, et al., 1998:9) argues that the word strategy has been around for a long time. Managers use the word both freely and fondly. It is considered to be the high point of managerial activity.

3.2.2 The evolution of strategy

Luke (2003:4-5) states that the concept of strategy can be traced back in history to many situations, including war. As the significance of strategy rises when there is a threat of war, so does the importance of business strategy when rivalry intensifies. From the Middle Ages until the 19th century, small entrepreneurs or loosely organised craft guilds comprised most business entities. Their attention was directed at keeping outsiders from entering their territories.

According to Ansoff and McDonnell (1990:43) in the 1950s when response to environmental discontinuities became important, the concept of strategy entered business vocabulary. During the early days the meaning of the concept was not clear and dictionaries did not help as the military use of the concept still defined strategy as “the science and the art of deploying forces for battle”.

Ansoff (1965:103) formulated the first definition of strategy within a business context, namely that strategy is “a set of decision-making rules for guidance of organisational behaviour” (Ansoff & McDonnell, 1990:43). Ansoff (1965:103) argues that during the 10 years between 1955 and 1965 strategy received increasing recognition in management literature. Numerous papers appeared dealing with product line strategy, business strategy, marketing strategy and diversification strategy. This interest grew out of a realisation that an organisation needs a well-defined scope and growth direction and that objectives alone do not meet this need. Additional decision-making rules are required if the organisation strives for orderly and profitable growth. Such decision-making rules and guidelines have been broadly defined as strategy or the concept of an organisation’s business.

During the early 1960s Ansoff (Ansoff & McDonnell, 1990:43-44) identified distinguishing characteristics of a strategy, namely:

(i) The process of strategy formulation results in no immediate action. It only sets the general directions in which the organisation's position will grow and develop.

(ii) Strategy is used to generate strategic projects through a search process. The role of strategy in search is firstly to focus on areas defined by the strategy and secondly to filter out and uncover possibilities which are inconsistent with the strategy.

(iii) Strategy becomes unnecessary whenever the historical dynamics of an organisation will take it where it wants to go.

(iv) At the time of strategy formulation it is not possible to enumerate all the project possibilities which will be uncovered. Strategy formulation must therefore be based on highly aggregated, incomplete and uncertain information about alternatives.

(v) When search uncovers specific alternatives, the more precise and less aggregated information which becomes available may cast doubt on the wisdom of the original strategy choice. Successful use of strategy therefore requires strategic feedback.

(vi) Both strategy and objectives are used to filter projects and they appear to be similar. However, they are two distinct conceopts. Objectives represent the ends which the organisation is seeking to attain whilst the strategy is the means to these ends. The objectives are higher level decision rules. A strategy which is valid under one set of objectives may lose its validity when the objectives of the organisation are changed.

(vii) Strategy and objectives are interchangeable – both at different points in time and at different levels of the organisation. For example, some attributes of performance such as market share can be an objective of the organisation at one time and its strategy at another. As objectives and strategy are elaborated throughout an organisation, a typical hierarchical relationship results: elements of strategy at a higher managerial level become objectives at a lower level.

Ansoff and McDonnell (1990:44) conclude by arguing that strategy is an elusive and somewhat abstract concept. Its formulation typically produces no immediate productive action in the organisation. It is an expensive process both in terms of money and managerial time.

When large, often monopolistic enterprises emerged, their focus tended to centre on global threats and on how the levers of governmental and military power could be used to further their business objectives. After the industrial and political revolutions and into the twentieth century, the markets in the Western world underwent significant changes in both structure and behaviour (Luke, 2003:4-5).

Luke (2003:4-5) argues that price has always been the central focus of competition, although as organisations got larger, fears of competition-driven, downward-spiralling prices led many rivals to seek other non-price ways to compete. Out of this came the modern form of competitive strategy. Strategy became a primary concern for business managers when competitors gained sufficient market power to affect each other's prospects (Luke, 2003:4-5).

Mintzberg (1994:1) argues that when strategic planning arrived on the scene in the mid 1960s, corporate leaders embraced it as "the one best way" to devise and implement strategies that would enhance the competitiveness of each business unit. True to the scientific management pioneered by Frederick Taylor, this one way involved separating thinking from doing and creating a new function staffed by specialists: strategic planners.

According to Mintzberg, et al. (1998:4-5) 10 schools of thought on strategy evolved from the 1960s to the 1980s. The first three schools (the design school, the planning school and the positioning school) are prescriptive in nature. The first school, namely the design school in the 1960s presented the basic framework on which the next two schools of thought were built, arguing that strategy formation is a process of conception. The second school of thought, namely the planning school, argues that strategy formation is a formal process. This school also developed in the 1960s and peaked in a flurry of publications and practice in the 1970s, seeing strategy making or formulation as a more detached and systematic process of formal planning. The third school of thought, namely the positioning school, displaced the second school during the 1980s, being less concerned with the process of strategy formation than with the actual content of strategies.

The six schools that follow, namely the entrepreneurial, cognitive, learning, power, cultural and environmental schools of thought, consider specific aspects of the process of strategy formation and have been concerned less with prescribing ideal strategic behaviour than with describing how strategies are formulated.

The final school of thought, namely the configuration school, combines the previous nine. The people in this school integrate and cluster the various elements of the strategy making process into distinct stages which are sometimes sequenced over time to describe the life cycles of organisations.

Mintzberg (1994:1-2) also states that although strategic planning is certainly not dead it has long since fallen from its pedestal, and the reason being that strategic planning is not strategic thinking. This confusion lies at the heart of the issue: the most successful strategies are visions not plans.

Markides of the London Business School (Thompson, Strickland & Gamble, 2007:452) argues that there is still, after many years of the evolution of strategy, confusion amongst academics and practising executives on what strategy really is. In November 1996 the most prominent strategy academic, Porter of Harvard, published a Harvard Business Review article entitled "What is strategy?" (Harvard Business Review, November-December 1996). This was followed a few months later by another famous academic, Hamel of London Business School, with an article "The Search for strategy" (London Business School working paper 1997). After 40 years of academic research on the subject of strategy, two of the most prominent academics in the field felt the need to start searching for strategy to show how much confusion has been created regarding such a crucial business decision.

3.2.3 Strategy defined

During the evolution of strategy over time various definitions of strategy were developed by key management and strategy experts. Mintzberg (Mintzberg, et al., 1998:9) states that it is part of human nature to look for a definition for every concept. "Ask someone to define strategy and you will likely be told that strategy is a plan, a direction, a guideor course of action into the future. It turns out, however that strategy is one of those words that we inevitably define in one way yet often also use in another" (Mintzberg, Ahlsrand & Lampel, 1998:9).

The following are definitions of strategy as formulated by experts in strategy over time:

i) In 1964 **Ansoff** (Ansoff & McDonnell, 1990:43) formulated one of the first definitions of strategy as "a set of decision-making rules for guidance of organisational behaviour".

Ansoff states that there are four distinct types of such decision making rules, namely:

- Yardsticks by which the present and future performance of the organisation is measured. The quality of these yardsticks is usually called objectives and the desired quantity goals.
- The set of rules for developing the organisation's relationship with its external environment is called the product market or business strategy.

- Rules for establishing the internal relations and processes within the organisation are called the organisational concept.
- The rules by which the organisation conducts its day-to-day business are called operating policies.

This definition places emphasis on strategy as decision-making mechanism.

(ii) In the early 1980s **Mintzberg** (1994:1) defined strategy according to the five Ps as: "Strategy is a *plan*: a guide or course of action into the future; a *ploy*: a specific manoeuvre intended to outwit an opponent or competitor; a *position*: determination of particular products in particular markets; a *perspective*: an organisation's way of doing things, and a *pattern*: consistency in behaviour over time".

Mintzberg (Mintzberg, et al., 1998:9-17) actually defined five definitions for strategy and argues that although there may not be one simple definition of strategy, there are some general areas of agreement about the nature of strategy, namely:

- Strategy sets direction.
- Strategy focuses effort.
- Strategy defines the organisation.
- Strategy provides consistency.

The major role of strategy in an organisation is therefore that "it resolves the big issues so that people can get on with the little detail" (Mintzberg, et al., 1998:17).

According to this definition of strategy, strategy is about more than a plan (the "what"). It is also about the execution (the "how") thereof and the behaviour it unleashes. Strategic planning is therefore not only about a formal technique but also about the functioning of an organisation.

(iii) In the late 1980s **Wheelen and Hunger** (1987:13) defined strategy as “The strategy of an organisation forms a comprehensive master plan stating how the organisation will achieve its mission and objectives”.

This definition of strategy was given in the context of a mission being the purpose of the organisation’s existence and objectives being the end result of planned activities. Strategy formulation and implementation was seen as a linear process within an internal and external environment.

iv) In 1989 **Hamel** (1989:3) defined strategic intent as: “Envisioning a desired leadership position and establishing the criterion the organisation will use to chart its progress”.

Strategic intent is the term used for organisations wanting to achieve sustainable competitive advantage and having an obsession with global leadership. This definition is also focusing on positioning.

v) In 1996 **Porter** (1996:68) defined strategy as: “Strategy is the creation of a unique and valuable position, involving a different set of activities. If there were only one ideal position, there would be no need for strategy”.

This definition of strategy is given in the context of competitiveness and market changes. Positioning is seen as the heart of strategy.

In 1997 Porter (1997:5) stated that “most managers describe strategic positioning in terms of their customers…the essence of strategy is in the activities – choosing to perform activities differently or to perform different activities than rivals…a strategy is nothing more than a marketing slogan that will not withstand competition”.

vi) **Thurbin** (1998:xi) defines strategy as: “Strategic thinking is about finding original ways of structuring and representing the complexity and mess that are at the root of modern organisational endeavour”.

This definition of strategy is within the context of strategic thinking. Strategic management is seen as an obvious and explicit process.

vii) **Kaplan and Norton** (2004:4-5): “An organisation’s strategy describes how it intends to create value for its shareholders, customers and citizens. If an organisation’s intangible assets represent more than 75 percent of its value, then its strategy formulation and execution need to explicitly address the mobilisation and alignment of intangible assets”.

This definition is given against the background that no two organisations think of strategy in the same way. The focus of strategy in this definition is on measuring the results from executing the strategy.

viii) **Thompson, Strickland and Gamble** (2007:4) define strategy in their 15th Edition in 2007 as: “A company’s strategy consists of the competitive moves and business approaches that managers are employing to grow the business, attract and please customers, compete successfully, conduct operations and achieve the targeted levels of organisational performance”.

This definition of strategy is given in the context of a managerial commitment to pursue a particular set of actions. Strategy is thus about how management intends to grow the business, how it will build customer loyalty, how each function of the business will operate and how performance will be boosted. Crafting and executing strategy is of a systemic nature within the context of strategic thinking.

ix) **Pearce and Robinson** (2007:3) in their 10th Edition define strategy as: "Large-scale, future-orientated plans for interacting with the competitive environment to achieve company objectives".

This definition describes strategy as a game plan. The plan does not give all the detail on future deployment but it does provide a framework for managerial decisions. A strategy reflects an organisation's awareness of how, when and where it should compete, against whom and for what purposes.

It is clear from the definitions above as formulated by the experts in strategy over the past few decades that strategy is an integral part of a management process giving an organisation a plan or set of objectives leading to a measurable and sustainable competitive position in a complex environment. Due to the complexity of the environment that organisations function in currently, a systemic approach to strategic thinking and planning gives managers the ability to translate the complexity into understandable and executable plans.

Refering back to the 10 schools of thought on strategy as identified by Mintzberg, et al. (1998:5), the principles on which all the defitions above are based are still aligned to one or more of these schools' thoughts. The schools of thought are summarised in Table 3.1 below.

Table 3.1: Schools of thought on strategy formation

SCHOOL OF THOUGHT	**VIEW OF THE STRATEGY PROCESS**
The design school	Strategy formation is a process of conception
The planning school	Strategy formation is a formal process
The positioning school	Strategy formation is an analytical process
The entrepreneurial school	Strategy formation is a visionary process
The cognitive school	Strategy formation is a mental process
The learning school	Strategy formation is an emergent process
The power school	Strategy formation is a process of

SCHOOL OF THOUGHT	VIEW OF THE STRATEGY PROCESS
	negotiation
The cultural school	Strategy formation is a collective process
The environmental school	Strategy formation is a reactive process
The configuration school	Strategy formation is a process of transformation

Source: Adapted from Mintzberg, et al., 1998:5

This study is about strategic differentiation and therefore the role of strategy as a process of conception, a formal, analystical, visionary, mental and transformational process can lead to the formation of a strategy which is differentiates one organisation from the next.

3.2.4 Competitive strategy

Against the background of defining strategy in paragraph 3.2.2 the concept of competitive strategy is now defined as a competitive strategy needed to differentiate one organisation from the next, giving it a sustainable competitive advantage. According to Porter (1997:5) competitive strategy "is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value".

Porter (1980:35-40) identifies three types of generic, competitive strategies that can be pursued by almost any organisation:

(i) Cost leadership

This strategy implies that the organisation intends to be a low-cost producer compared to its competitors and that it aims to win the largest market share.

(ii) Differentiation

This strategy involves offering a unique product or service that allows the organisation to charge a premium price.

(iii) Focus

This involves concentrating on a specific market, group of customers, product or service.

Once an organisation has decided on a generic competitive strategy, it has to decide how it will pursue either low cost, differentiation or focus. The mechanisms used to pursue generic competitive strategies are referred to as “grand strategies” that are divided into vertical integration strategies, intensive strategies, diversification strategies, defensive strategies and corporate combination strategies.

The strategy type under discussion in this study is a differentiation strategy - which leads to the next concept to be described and analysed in paragraph 3.3, namely strategic differentiation.

3.2.5 Levels of strategy

Porter (1987:1) argues that a diversified company has two levels of strategy: business unit (or competitive) strategy and corporate strategy. Competitive strategy concerns how to create competitive advantage in each of the businesses in which a company competes. Corporate strategy concerns two different questions: what business the corporation should be in and how the corporate office should management the array of business units.

Another school of thought argues that strategic management deals with three levels of strategy. Corporate-level strategy answers the question, “In what industry or industries will we compete?” Business-level strategy answers the question, “How will we compete in each of our chosen businesses?” The task of functional-level strategy is to decide “How will each of the organisation’s functional areas support our business and corporate level strategies?” (Ketchen, 2003:95).

Dess, Gupta, Hennart and Hill (1995:364, 374) believe that the domain of corporate strategy is broad. The study of diversification strategy, acquisitions, new ventures and vertical integration can all be grouped under “corporate strategy”. Whereas corporate-level strategy deals with the question of “what” business to compete in, business-level strategy is concerned with “how” the organisation should position itself among its rivals to achieve its goals.

Business-level strategy is critical to the success of an organisation. It is here that organisations compete directly with others for sales and profits in the marketplace. Competitors may take the form of either a small, independent organisation or a business unit of a diversified organisation. Goldman and Nieuwenhuizen (2006:72-75) state that strategic management is the highest level of strategy formulation in an organisation. It gives direction to corporate values, corporate culture and goals and missions.

Pearce and Robinson (2007:9-10) supports the fact that the decision-making hierarchy of an organisation typically contains three levels. The top level of the hierarchy is the corporate level, composed mainly of a board of directors, the chief executive and administrative officers. Corporate strategy seeks an answer to the question, “What business are we in?” Divisional-level strategy is applied by geographic area, or by product or service, by customer or by process. Divisional-level strategy refers to the game plan for a particular department or section of the organisation. In the middle of the decision-making hierarchy is the business level, composed mainly of business and corporate managers. At the bottom of the hierarchy is the functional level, composed principally of managers of product, geographic and functional areas. Operational or functional-level strategy deals with day-to-day operational activities.

This study focuses on strategic differentiation which is achieved through a strategy of differentiation as well as the implementation thereof throughout the organisation on all levels. All three levels of strategy, namely corporate, business and functional level, as per Pearce and Robinson (2007:9-10) are therefore responsible for achieving a differentiated position in the retail banking industry.

3.2.6 Approaches to strategy development and implementation

The levels of strategy were described in paragraph 3.2.5 above. On all three levels of strategy different approaches need to be applied and implementation of the strategy is the key to success.

Porter (1987:6) argues that understanding how to formulate corporate strategy necessitates the specification of the conditions under which diversification will truly create shareholder value. The conditions can be summarised in three essential tests:

i) The attractiveness test. The industries chosen for diversification must be structurally attractive or capable of being made attractive.
ii) The cost-of-entry test. The cost of entry must not capitalise all the future profits.
iii) The better-off test. Either the new unit must gain competitive advantage from its link with the corporation or vice versa.

On a more micro economic level, according to Eisenhardt (2001:109), organisations formulating strategy in a competitive marketplace can follow three distinct approaches to developing and implementing strategy. These approaches are described in Table 3.2 below.

Table 3.2: Three approaches to strategy

	Positioning approach	**Resources approach**	**Simple rules approach**
Strategic logic	Establish position	Leverage resources	Pursue opportunities
Strategic steps	Identify an attractive market. Locate a defensible position. Fortify and defend.	Establish a vision. Build resources. Leverage across markets.	Jump into the confusion. Keep moving. Seize opportunities. Finish strong.
Strategic question	Where should we be?	What should we be?	How should we proceed?
Source of advantage	Unique, valuable position with tightly integrated activity system	Unique, valuable, inimitable resources	Key processes and unique, simple rules
Works best in	Slowly changing, well-structured markets	Moderately changing, well-structured markets	Rapidly changing, ambiguous markets
Duration of advantage	Sustained	Sustained	Unpredictable
Risk	It will be too difficult to alter position as conditions change	Company will be too slow to build new resources as conditions change	Managers will be too tentative in reacting to promising opportunities
Performance goal	Profitability	Long-term dominance	Growth

Source: Adapted from Eisenhardt, 2001:109

The three approaches described in Table 3.2 are applied in different market environments with different outcomes in mind. An organisation which, for example, wants to achieve profitability as outcome within a slow changing, well structured market, should apply the positioning approach.

If the position that an organisation wants to be in the market or an industry is their strategic aim, the positioning approach is applicable, for example an organisation that wants to be the leader in technological know-how in an industry. If an organisation wants to establish and build their resources towards long-term dominance in their market or industry, the resources approach or resource based view is applicable. If an organisation wants to grow by pursuing opportunities in the market, the simple rules approach is applicable. Organisations therefore need to develop their vision and objectives to determine what they want to achieve through their strategy and thereafter follow a strategic approach assisting them in the implementation of their strategy.

Hrebiniak (2005:23) says that strategy defines the arena (customers, markets, technology, products and logistics) in which the execution game is played. Execution is an empty effort without the guidance of strategy and short-term objectives related to the strategy.

Strategy development has no worth if strategy execution or implementation does not take place. Thompson, et al. (2007:20) developed a process wherein strategy making and strategy executing are addressed through one process. The process consists of the following phases:

- Phase 1: Developing a strategic vision.
- Phase 2: Setting objectives.
- Phase 3: Crafting a strategy to achieve the objectives and vision.
- Phase 4: Implementing and executing the strategy.
- Phase 5: Monitoring developments, evaluating performance and making corrective adjustments.

After completion of phase five, phases one to four are revised as needed in light of actual performance, changing conditions, new opportunities and new ideas. The customer experience measurement model applied in this study is an integral part of evaluating performance from the customers' perspective during phase five described above.

Corporate strategy must be clear and sound. If corporate planning is poor or ill-conceived, the effects on strategy execution and corporate and business performance are many and potentially fatal. Resources will not be available or sufficient to sustain growth. The "right" business decisions can be thwarted or compromised by corporate mistakes (Hrebiniak, 2005:69).

Hrebiniak (2005:71-72) also states that good planning and sound strategy are vital at the business level. The business strategy has to be focused and clear. The goal is to develop a strategy that leads to competitive advantage in an industry or market segment. Strategy formulation depends on a company's understanding of its industry and its competitors, and developing resources and capabilities that will promote a favourable competitive position.

Thompson, et al. (2007:9) states that "the evolving nature of a company's strategy means that the typical company strategy is a blend of pro-active actions to improve the company's financial performance and secure a competitive edge and as needed reaction to unanticipated developments and fresh market conditions".

Strategies can be defensive or offensive. An organisation needs an offensive strategy to build sustainable competitive advantage and a defensive strategy to protect their competitive advantage (Thompson, et al., 2007:178).

Morgan, Levitt and Malek (2007:11-17) argue that strategy execution or implementation requires a system wide approach that consistently drives organisations to do the right things and to do those things right. Such an approach helps identify, map out and prioritise the necessary project investments so that everyone understands what they must do and how they should interact with others to execute strategy. It also revisits the investment decision regularly to ensure it is on track.

Morgan, et al. (2007:17) developed a strategy implementation framework consisting of six imperatives, namely:

(i) Ideation: Clarify and communicate identity, purpose and long range intention.
(ii) Nature: Align the organisation’s strategy, culture and structure.
(iii) Vision: Translate long range intention into clear goals, metrics and strategy.
(iv) Engagement: Engage the strategy via the project investment streams.
(v) Synthesis: Monitor and continuously align the project work with strategy.
(vi) Transition: Transfer projects crisply to operations to reap the benefits.

Strategic execution and implementation requires aligning the six imperatives described above amongst themselves and with the external environment. Engagement plays an integral role in aligning the strategy making (ideation, nature and vision) with the strategy execution (synthesis and transition).

In this section the importance of how strategy development is approached and the importance of strategy implementation were described. If strategy is not executed fully and successfully, all the time and effort put into development is futile.

3.2.7 Strategy in relation to other relevant concepts

Against the background of the definition of strategy, the levels of strategy, approaches to strategy and the implementation thereof, a few concepts relevant to the topic of this study are now described in relation to strategy.

3.2.7.1 Strategy and operational effectiveness

For more than two decades organisations have been playing according to a new set of rules where flexibility is vital to respond to competitive and market changes. Porter (1996:61) argues that organisations should benchmark continuously to achieve best practices, should outsource aggressively to gain efficiencies and nurture a few core competencies in the race to stay ahead of rivals. Positioning – once the heart of strategy – is rejected as too static for today's dynamic markets and changing technologies. Organisations have to compete in a sustainable manner, but battle to maintain a competitive strategy. The problem is failure to distinguish between operational effectiveness and strategy.

According to Porter (1996:61-62), operational effectiveness and strategy are both essential to superior performance - which is after all the primary goal of an organisation - but they work in very different ways.

"Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value. The essence of strategy is in the activities – choosing to perform activities differently or to perform different activities than rivals. Otherwise, a strategy is nothing more than a marketing slogan that will not withstand competition" (Porter, 1996:64).

According to Pearce and Robinson (2007:199-200) operational effectiveness or excellence is a specific strategic approach to the production and delivery of products and services. An organisation that follows this strategy attempts to lead its industry in price and convenience by pursuing a focus on lean and efficient operations. The focus is on delivering products and service to customers at competitive prices with minimal inconvenience.

3.2.7.2 Strategy and decision-making

Eisenhardt (1999:66) says that the ability to make frequent, fast, widely supported and high-quality strategic decisions is the cornerstone of effective strategy.

Effective decision makers create strategy by (Eisenhardt, 1999:66):

(i) building collective intuition that enhances the ability of a top management team to see threats and opportunities sooner and more accurately;
(ii) stimulating conflict to improve the quality of strategic thinking without sacrificing significant time;
(iii) maintaining a disciplined pace that drives the decision process to a timely conclusion;
(iv) defusing political behaviour that creates unproductive conflict and wastes time.

Thurbin (1998:124-125) states that the decision-making involved in strategy formulation is based on both ethical and personal preferences. The strategist has to be aware of the extent to which satisfaction is taking place and the extent to which ethics are being mixed with facts.

3.2.7.3 Strategy and the business model

Thompson, et al. (2007:12) argue that "a company's business model explains the rationale for why its business approach and strategy will be a money-maker. Absent the ability to deliver good profitability, the strategy is not viable and the survival of the business is in doubt".

Thompson, et al.(2007:12) also state that the strategy of an organisation "relates broadly to its competitive initiatives and action plan for running the business" whereas the business model focuses on "how and why the business will generate revenues sufficient to cover costs and produce attractive profits and return on investment".

The business model of a retail bank plays a very important part in the measurement of customer experience as it is measuring the total experience across the business model. A business model of a retail bank consists mainly of products, segments, delivery channels and a supporting back-office function (processes and systems). Bank X, which is used as the example for the research in this study has a business model consisting of products, channels and delivery channels and supporting back office functions. The measurement framework used in this study for measuring the customer experience (refer to Chapter 6) takes all these dimensions of the business model into account.

3.2.7.4 Strategy and strategic thinking

Many experts and authors such as Porter, Mintzberg, Peters, Hamel and Prahalad and Ohmae (Thurbin, 1998:126-131) believe that strategic thinking is a key component and competence of effective strategy formulation.

Thurbin (1998:xx) states that organisations use a variety of approaches to creating, developing and implementing strategies that they believe will ensure their survival and growth. Competition and gaining competitive advantage are dominant features of the thinking behind the strategy making process. Supporters of a planned approach to securing the future clash with those that favour a more pragmatic and unstructured style. The middle ground is held by those supporting a more evolutionary approach. This is the conventional world of the strategic thinker. The strategic thinker uses a set of mental models about how to grow an organisation and promote superior performance.

Thurbin (1998:126-131) utilised a collection of views to explain the importance of strategic thinking when dealing with the concept of strategy. Porter (Thurbin, 1998:126) argues that the key feature of strategic thinking is that competition in an industry is founded on the economic structure of both the industry and the country. He encourages the strategic thinker to realise that continuously adding value to the end-customer is the only way to maintain a sustainable competitive advantage.

A key feature of the strategic thinking propagated by Mintzberg (Thurbin, 1998:127) is that there is a difference (at least in timing) between a strategy that is planned and the strategy that emerges. Having a planned strategy suggests the ability to link the ends and means to be followed, whereas the emergent strategy occurs in the absence of intentions or in spite of intentions.

Mintzberg (Mintzberg, et al., 1998:126-127) argues that strategic thinking means seeing ahead. However, you cannot see ahead unless you can see behind, because any good vision of the future has to be rooted in an understanding of the past. Many people also claim that strategic thinking is seeing above. It is about seeing the “big picture”. Strategic thinkers have to find the gem of an idea that changes their organisation. Strategic thinkers see differently from other people – they pick out the precious gems that others miss. Strategic thinking is also about seeing beside, in other words challenging the conventional wisdom. Finally, strategic thinking is about seeing beyond. Creative ideas have to be placed into context to be seen in a world that is to unfold.

Peters (Thurbin, 1998:128-129) advocates the view that strategic thinking embraces chaos. When strategy is being formulated, it may be necessary to challenge the existing organisational culture and norms of behaviour. A holistic approach is needed when new strategies are considered.

Hamel and Prahalad (Thurbin, 1998:129-130) advise strategic thinkers to forget about strategic fit and matching strengths and weaknesses to the environment or the market. Strategic thinking should emphasise the promotion of ambition and entrepreneurial activity that will lead to leveraging resources in order to create a sustainable competitive advantage.

Ohmae (Thurbin, 1998:131) champions the art of consensus and incrementalism in strategic thinking. He believes that successful strategies stem from the state of mind and the enthusiasm of an individual or group and that analysis is only used to stimulate the creative process.

Abraham (2005:5-12) defines strategic thinking as “identifying alternative viable strategies or business models that deliver customer value”. Abraham (2005:5-12) also argues that it is impossible to formulate strategy without engaging in strategic thinking. The search for appropriate alternative strategies, often done as part of a strategic planning process, is actually strategic thinking in action. Strategic thinking leads to coming up with the “right” strategy that might increase the stakeholder value, make it a stronger competitor or find a competitive arena it can dominate. This can be done through five approaches, namely:

(i) Being successfully different
(ii) Emulating entrepreneurship
(iii) Finding new opportunities
(iv) Being future-orientated
(v) Being collaborative.

Strategic thinking therefore plays an integral role in determining the strategic differentiator for an organisation in a certain industry as is analysed and determined in this study.

In Bank X, the retail bank used as example in this study, strategic thinking plays an integral part in determining a relevant strategic differentiator. Continuous research is done to understand the industry and to apply the needs of customers in identifying the stratregic differentiator in the corporate strategy of the organisation.

3.2.7.5 Strategy, culture and ethics

There are those who maintain that the starting point for truly great companies is the formulation of a set of core values or a culture. Strategy will follow naturally from there.

Pietersen (2002:158-159) argues that if the culture and the strategy are to be re-aligned, the culture has to be altered to fit the new strategy. The culture can therefore not be created before the strategy is determined. When established organisations make a strategy change, the only practical sequence is strategy first, then culture. In other words, first be clear on how you will win, and then define the values and behaviours that will make your new strategy successful.

Organisational culture normally includes the norms and values of an organisation, including the vision shared by the members of the organisation. Hrebiniak (2005:261) believes that culture has a behavioural component, defining the "way organisations do things". This includes decision making, how the organisation competes, how much risk it tolerates, the emphasis on ethics or fairness in its transactions, and how people treat or evaluate one another's actions and contributions to the organisation. Culture also refers to the outcomes of these behaviours, including organisational creativity or innovation.

Thompson, et al. (2007:11) state that "a strategy cannot be considered ethical just because it involves actions that are legal. To meet the standard of being ethical, a strategy must entail actions that can pass moral scrutiny and that are aboveboard in the sense of not being shady, unconscionable injurious to others, or unnecessary harmful to the environment".

"More attention is paid to linking strategy with ethical principles and core values in companies headed by moral executives and in companies where ethical principles and core values are a way of life" (Thompson, et al., 2007:341).

If the culture of an organisation is closely related to its strategy as mentioned above, it is critical for an organisation with a differentiation strategy on customer experience to also entrench a customer centric culture.

Bank X, the retail bank used as example in the research in this study, initiated the process of implementing a customer experience strategy by focusing on the people and their experience within the organisation. Interventions were put in place to create an understanding of a customer centric culture and the role of its people in such a culture. The organisational values and brand values were aligned with the customer centric culture.

3.2.8 Concluding remarks on strategy

The researcher focused on the definitions of strategy, the evolution of strategy, strategy in relation to operational effectiveness, decision making, strategic thinking, culture and competitiveness.

Strategy has over decades been, and still is, a very powerful tool in giving direction to organisations, providing direction and focus for their managements. However, strategy has no value if it is not executed. Hrebiniak (2005:xvii) says that the problem with poor performance is typically not with planning, but with doing - strategies are not implemented successfully. Making a strategy work is more difficult than formulating the strategy. Sound plans flounder and die because of insufficient execution know-how.

The researcher argues that this study focuses on “strategic” differentiation and the strategy concept is therefore central to understanding the research problem. “Strategic” stands in contrast to “tactical” and “operational”. Strategy can be successfully implemented or executed if it is translated into tactical and operational needs so that everyone will understand the strategy and its meaning.

“Strategy is making trade-offs in competing. The essence of strategy is choosing what not to do. Without trade-offs, there would be no need for choice and therefore no needs for strategy” (Porter, 1996:70).

3.3 STRATEGIC DIFFERENTIATION

The second concept that is described and analysed in this chapter is strategic differentiation.

3.3.1 What is differentiation?

Differentiation is one of the key concepts in the research problem as formulated in paragraph 1.5 in Chapter 1. The outcome of the study, as shown in the research objectives in paragraph 1.3, is to show through research that customer experience is a “differentiator” in retail banking.

With a differentiation strategy, an organisation seeks to be unique in its industry in terms of dimensions that are valued by buyers – the perceived value. It selects one or more attributes that many buyers in the industry perceive as important and it uniquely positions itself to meet those needs. Its reward for uniqueness is a premium price (Porter, 1985:7).

Pearce and Robinson (2007:237-238) argue that differentiation requires of an organisation to have sustainable competitive advantages that allows it to provide buyers with something uniquely valuable to them. Differentiation usually arises from one or more activities in the value chain of the organisation that create a unique value important to buyers.

Thompson, et al. (2007:144-145) support this argument by stating that organisations attempting to succeed through differentiation must study buyers’ needs and behaviours carefully to learn what buyers consider important, what they think has value and what they are willing to pay for it.

Porter (1985:7) believes that the differentiation means are peculiar to each industry. Differentiation may be based on the product itself, the delivery system in selling the product, the marketing approach, and a broad range of other factors. An organisation that can achieve and sustain differentiation will be an above-average performer in its industry if its price premium exceeds the extra cost incurred in being unique. According to Porter (1985:7), a differentiator always has to seek ways to differentiate that lead to a price premium that exceeds the cost of differentiating. A differentiator cannot ignore its cost position, because its premium prices will be nullified by a markedly inferior cost position. A differentiator therefore aims at cost parity or proximity relative to its competitors by reducing cost in all areas that do not affect differentiation.

The logic of a differentiation strategy requires an organisation to choose attributes in which to differentiate itself from its rivals. However, there may be more than one successful differentiation strategy in an industry if a number of attributes exist that are widely valued by buyers (Porter, 1985:7).

Thompson, et al. (2007:145) argue that “the most appealing approaches to differentiation are those that are hard or expensive for competitors to duplicate. Differentiation yields a longer lasting and more profitable competitive edge when it is based on product innovation, technical superiority, product quality and reliability, comprehensive customer service and unique competitive capabilities. Such differentiating attributes tend to be tough for rivals to copy or offset profitably and buyers widely perceive them as having value”.

Croxford, et al. (2006:83) distinguish between fundamental and tactical differentiation. Fundamental differentiation impacts on the strategies of the organisation leading to growth and performance. Tactical differentiation impacts on the tactical or activities level.

3.3.2 Defining differentiation

The following definitions of differentiation were derived from the literature:

(i) **Goldman and Nieuwenhuizen** (2006:77): “Differentiation is seen as strategy in which an organisation seeks to distinguish itself from its competitors through the quality of its products and services”.

(ii) **Pearce and Robinson** (2007:237): “A business strategy that seeks to build competitive advantage with its product or service by having it be “different” from other available competitive products based on features, performance or other factors not directly related to cost and price. The difference would be one that would be hard to create and/or difficult to copy or imitate”.

(iii) **Porter** (1980:37-38): “Differentiation is a viable strategy for earning above-average returns in an industry because it creates a defensible position for coping with the five competitive forces (threat of new entrants, bargaining power of buyers, threat of substitute products and services, bargaining power of suppliers and rivalry amongst existing competitors)…Differentiation provides insulation against competitive rivalry of brand loyalty by customers and resulting lower sensitivity to price”.

3.3.3 Concluding remarks on strategic differentiation

Paragraph 3.3 focused on the differentiation concept. The research problem in this study, as formulated in paragraph 1.3 is linked to a strategic “differentiator” in the banking industry. According to the Oxford dictionary (Hornby, 1998:322), to differentiate is “to see or show that two things are different; to be a mark of difference between people or things”.

Differentiation in the context of this study is defined as “strategic” differentiation and is therefore of strategic importance. A differentiation strategy is therefore needed to ensure sustainable competitive advantage.

For a concept or an aspect of business to be a differentiator, it has to be distinctly different. This study attempts to show that the strategic differentiator of one organisation in an industry can give that organisation a sustainable competitive advantage.

According to Thompson, et al. (2007:146) organisations build a sustainable competitive advantage through differentiation by pursuing one of four basic routes to delivering superior value to customers, namely:

(i) To incorporate product attributes and user features that lower the customer's overall costs of using the organisation's product;
(ii) To incorporate features that raise product performance;
(iii) To incorporate features that enhance customer satisfaction in noneconomic and intangible ways; and
(iv) To deliver value to customers by differentiating on the basis of competencies and competitive capabilities that competitors don't have or can't afford to match.

Differentiation can lead to gaining a sustainable competitive advantage over others. Sustainable competitive advantage will be described and analysed in the next paragraph (3.4).

3.4 SUSTAINABLE COMPETITIVE ADVANTAGE

The descriptions of strategy and differentiation in paragraphs 3.2 and 3.3 of this chapter reveal an interrelationship between strategic differentiation and a sustainable competitive advantage.

3.4.1 Defining a competitive advantage

The following definitions of competitive advantage derive from the literature:

(i) **Porter** (1985:2): "Competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it".

(ii) **Beinhocker** (1999:103): "Competitive advantage does not come from the act of commitment itself; rather, it comes from the strategy ideas and innovations that eventually lead to commitments".

(iii) **Thompson, et al.** (2007:6): "A company achieves sustainable competitive advantage when an attractive number of buyers prefer its products ot services over the offerings of competitors and when the basis for this preference is durable".

(iv) **Luke** (2003:18): "Competitive advantage accrues to an organisation when it experiences an increase in market power as a result of the actions it has taken, capabilities or resources it has attained or benefits it has gained".

(v) **Prajogo** (2007:69): "Much has been written about quality as a source of competitive advantage in the last decade; however little attention has been given to examine how quality performance can be effectively employed as a base for realising organisations' competitive strategy".

(vi) **Hough and Neuland** (2007:212): "Competitive advantage through value creation can be achieved by means of a low cost strategy that focuses primarily on lowering production costs, or a differentiation strategy that focuses primarily on creating superior value through increased product attractiveness in terms of design, quality, functionality and service".

It is clear from the above that a competitive advantage is about value creation and uniqueness among competitors. To gain and sustain a competitive advantage, an organisation needs to identify the activities that create value and that is unique to the industry and build on it. "Competitive advantage comes from the way its activities fit and reinforce one another. Strategic fit among many activities is fundamental not only to competitive advantage but also to the sustainability of that advantage" (Porter, 1997:10).

3.4.2 Sustainable competitive advantage

For an organisation to achieve success with the execution of a differentiation strategy, it must lead to a sustainable competitive advantage. The advantage gained from the differentiation should therefore not be a once-off or short-term advantage but it should be sustainable over the long term.

Pearce and Robinson (2007:233) state that the two most prominent sources of a sustainable competitive advantage for an organisation are its cost structure and its ability to differentiate the organisation from competitors.

Porter (1996:74) defines the following characteristics of a sustainable competitive advantage:

(a) A unique competitive position for the organisation.
(b) Activities tailored to the strategy.
(c) Clear trade-off and choices vis-à-vis competitors.
(d) Competitive advantage arises from fit across activities.
(e) Sustainability comes from the activity system, not the parts.
(f) Operational effectiveness is a given.

The following is an example of a sustainable competitive advantage through customer experience as the differentiator in the financial services industry (Shaw, 2007:9):

"The financial services market is highly competitive with very few organisations providing an outstanding customer experience. Most organisations are looking to solve problems; only a few are looking at this as an opportunity to differentiate. The CEO of

Britannia Building Society, a large financial services company in the UK, explains his view:

“’We started the work on the customer experience, not because we thought we had a problem, but because we thought there was an opportunity. Having spent a great deal of time on replacing all our core systems, undertaking a great deal of work on our culture, values and strategy, we felt all these combined to give us the capability to provide a very different experience based on an emotional level.’”

In the South African financial service market, and especially the retail banking market, the key role players are currently starting to realise that the competitive advantage lies in understanding the customer and providing them with a unique experience. The role players are also realising that the sustainable solution lies in understanding the emotional behaviour of customers and not only in changing the product offering or giving alternative delivery options.

To remain competitive, an organisation has to keep its customers longer, develop them into bigger customers, make them more profitable and serve them more efficiently. “Finding the balance between current period sales and customer lifetime value is necessary if you want to know whether the organisation is better off investing in customer acquisition or in customer retention, or product development, or opening new branches, or more service, or better qualified staff or cost reduction” (Peppers and Rogers, 2005:10-11).

Thompson, et al. (2007:6) argue that a competitive advantage is sustainable if there are actions and elements in the strategy that cause an attractive number of buyers to have a lasting preference for an organisation’s products or services as compared to the offerings by competitors. Sustainable competitive advantage is the key to above-average profitability and financial performance as strong buyer preferences lead to higher sales volumes and the ability to command a higher price which lead to increased earnings and return on investment. The strong buyer preference is mainly due to satisfied customers and therefore loyal customers.

Organisations who strive for a sustainable competitive advantage and strong customer loyalty frequently use dependable strategic approaches to differentiate them from their competitors. Four of these approaches are (Thompson, et al., 2007:6-7):

(i) Striving to be the industry’s low-cost provider, thereby aiming for a cost –based competitive advantage over rivals.
(ii) Out competing rivals based on such differentiating features as higher quality, wider product selection, added performance, value-added services, more attractive styling, technological superiority or unusually good value for money.
(iii) Focusing on a narrow market niche and winning a competitive edge by doing a better job than rivals of serving the special needs and tastes of buyers comprising the niche.
(iv) Developing expertise and resource strengths that give the company competitive capabilities that rivals can’t easily imitate or trump with capabilities of their own.

Hamel and Prahalad (1989:14-15) argued in the late 1980s that in a competitive global market two contrasting models of strategy emerged. One centres on the problem of maintaining strategic fit and the other centres on the problem of leveraging resources. The two are not mutually exclusive. Both models recognise that relative competitive advantage determines relative profitability. The first emphasises the search for advantages that are inherently sustainable and the second emphasises the need to accelerate organisational learning to outpace competitors in building new advantages.

The concept of customer experience as the differentiator under discussion in this study can lead to a sustainable competitive advantage in the retail banking industry. Organisations in this industry should utilise the second approach as described above by utilising differentiating features such as value-added services.

3.4.3 Concluding remarks on sustainable competitive advantage

Paragraph 3.4 focused on the concept of a sustainable competitive advantage. Sustainable competitive advantage is the result of implementing a strategic differentiator. It is the effect of an organisation doing something different in terms of its strategy or strategic approach. This something makes the organisation unique and differentiates it from other organisations. The outcome of this differentiation through competitiveness leads to a change in performance, and the critical prerequisite for this outcome is sustainability.

“The fundamental basis of above-average performance in the long run is sustainable competitive advantage. Though an organisation can have a myriad of strengths and weaknesses vis-à-vis its competitors, there are two basic types of competitive advantage an organisation can possess: low cost or differentiation” (Porter, 1985:5).

“The tight connection between competitive advantage and profitability means that the quest for sustainable competitive advantage always ranks center stage in crafting a strategy. The key to successful strategy making is to come up with one or more differentiating strategy elements that act as magnets to draw customers and yield a lasting competitive edge” (Thompson, et al., 2007:7).

Thompson, et al. (2007:178) also state that there is a strong relation between strategy and competitive advantage, namely that “it takes successful offensive strategies to build competitive advantage – good defensive strategies can help protect competitive advantage but rarely are the basis for creating it”.

3.5 CONCLUSION

This chapter described and analysed the concepts of strategy, strategic differentiation and sustainable competitive advantage.

Based on the literature, the final conclusion is that a competitive advantage has to be sustainable to be of value to an organisation. That sustainable competitive advantage is the result of a strategy of differentiation or a strategic differentiator which the organisation identified and executed.

The next chapter will focus on the concept of customer experience, how it can be defined, its evolution, and it possibly being the strategic differentiator compared to other differentiators.

CHAPTER 4

THE EVOLUTION OF CUSTOMER EXPERIENCE AS A DIFFERENTIATOR

The goal as a company is to have customer service that is not just the best, but legendary

(Customer Service Point, 2007:2)

4.1 INTRODUCTION

Customer experience is part of services marketing in an organisation. This is also true for the retail banking industry. As depicted in Figure 4.1 below, this chapter starts with a description of services marketing which is the context within which the evolution of customer experience is described. Closely linked to services marketing is the marketing mix which is described and analysed thereafter.

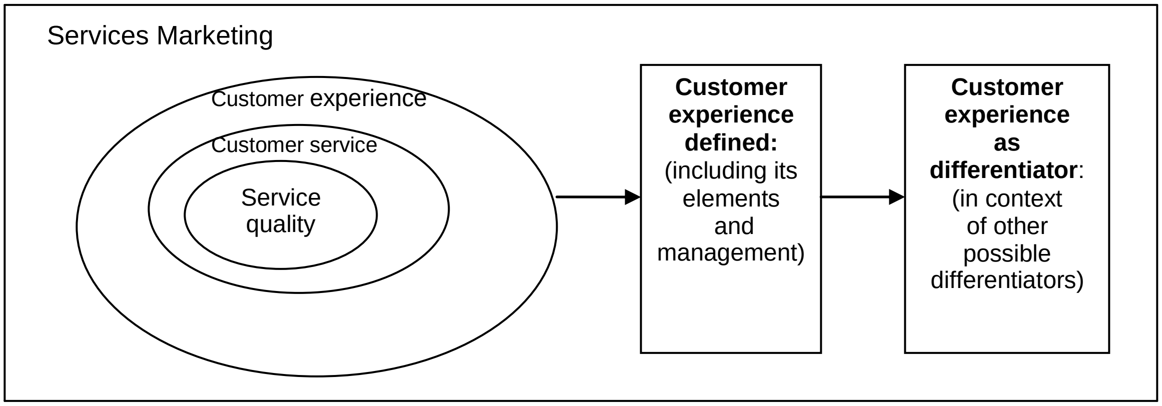


Figure 4.1: Structure of Chapter 4

Source: Author's own

Customer experience is described in this chapter through the evolution of service quality to customer service to customer experience within the context of services marketing. That is followed by various definitions of customer experience and a description of the elements of customer experience. The elements of the customer experience are compared with the elements of the marketing mix.

The last part of this chapter will be devoted to a description of possible differentiators in retail banking leading to customer experience as a strategic differentiator.

4.2 SERVICES MARKETING

This section focuses on services marketing as the contextual environment within which customer experience is defined. Retail banking as services industry was described in Chapter 2. Services marketing is also described in its relation to relationship marketing and retail marketing. Against this background the marketing mix is described and analysed, bringing it into relation with the elements of a customer experience.

4.2.1 What is services marketing?

In order to describe and understand service marketing it is important to first define services and understand the difference between products and services.

Goods or products can be defined as “objects, devices or things” (Hoffmann & Bateson, 2001:4), and services can be defined as “deeds, efforts or performances” (Hoffmann & Baleson, 2001:4). The primary difference between goods and services is the property of intangibility. Because of the dominance of intangibility, service knowledge is acquired differently than knowledge pertaining to products. Service knowledge is gained through experience of receiving the service. When consumers purchase a service, they are purchasing an experience (Hoffmann & Baleson, 2001:9).

Kumar (2004:11-12) argues that in a global marketplace customers have so many choices and differentiation based on products is usually unsustainable. Customers are willing to pay more for demonstrated value. Customers presume product quality and demand solutions and service, leading to a shift from product to service dominance.

According to Zeithaml and Bitner (2003:3-4), “services are deeds, processes and performances”, argueing that the difference between services and customer service is very important in the context of services marketing. Services encompass a wide range of industries, for example telecommunication, hotels, transport and financial services. These industries market and deliver services to customers. Services are provided by all types of industries, including manufacturing, IT and service industries. “Customer service is the service provided in support of an organisation’s core products” (Zeithaml & Bitner, 2003:4).

The service continuum illustrated in Figure 4.2 below shows the balance between service-dominated offerings (intangible) and goods-dominated offerings (tangible).

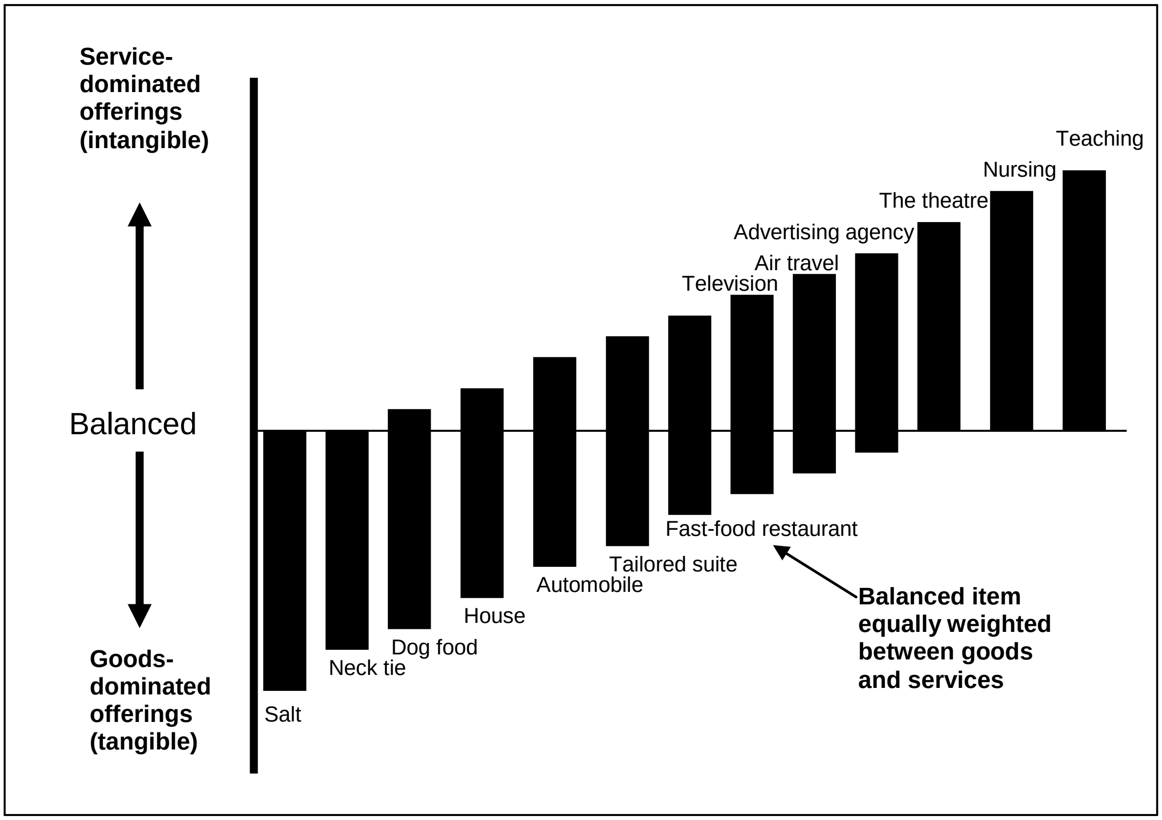


Figure 4.2: Service continuum

Source: Adapted from Kerin, Hartley, Barkowitz and Rudelius (2006:320)

“The broad definition of services implies that intangibility is a key determinant of whether an offering is a service” (Zeithaml & Bitner, 2003:5). It is illustrated in Figure 4.2 that services tend to be more intangible than manufactured products. Manufactured products on the other hand tend to be more tangible than services. For example, the fast-food industry is classified as a service but also has many tangible components such as the actual food and the packaging. Intangibles are therefore not only produced in the service sector of the economy.

Product marketing and services marketing are two distinct processes. Service marketers require concepts and strategies that are relevant to the service environment. Traditionally, the marketing discipline has been overwhelmingly oriented to practices in the product-related industries (packaged consumer goods). Service marketers focused on enhancing and differentiating ‘realities’ by manipulating tangible clues (Lovelock, 1984:31, 37, 43).

Vargo and Lusch (2004:1-2) describe the evolution of services marketing starting with reference to the first marketing scholars whom in the 1920s directed their attention towards commodities exchange and the facilitation role that marketing institutions played. By the early 1950s the marketing management school emerged, which was characterised by a decision making approach and a strong focus on the customer. In 1967 Kotler (Vargo & Lusch, 2004:1) described marketing as “a decision making activity directed at satisfying the customer at a profit by targeting a market and then making optimal decisions on the marketing mix or the 4Ps”.

In the early 1970s the marketing of services emerged as a separate area of marketing with concepts and models of its own geared to the typical characteristics of services. Grönroos (2002:136) brought quality back into the marketing context by introducing in 1982 the perceived service quality concept and the concept of interactive marketing to cover the marketing impact on the customer during the consumption process, where the consumer of a service typically interacts with the systems, physical resources and employees of the service provider.

Vargo and Lusch (2004:1-2) support this view and argue that in the 1980s many new frames of reference started to emerge which were not based on the 4Ps and largely independent of the standard micro economic paradigm. Separate lines of thought emerged, namely relationship marketing, quality management, market orientation, supply and value chain management, resource management and networks. Most notable was the emergence of services marketing as a sub discipline of marketing. In the early 1990s the historical marketing management function, based on the micro economic maximisation paradigm, was critically reviewed for its relevance to marketing theory and practice. At the late 1990s the validity of the 4Ps was questioned and regarded as merely a framework.

Moving into the 2000s, Grove, Fisk and John (2003:107-108) argue that services marketing has matured as an academic field. Since the mid-1980s, peer-reviewed journals such as The *Services Industrial Journal, Journal of Services Marketing, International Journal of Services Industry Management, Managing Service Quality, Services Marketing Quarterly* and *Journal of Service Research* were created to meet the growing demand for knowledge dissemination regarding services phenomena. The emergence of research and education centres devoted to the study of services provides further evidence of service marketing’s maturity. Services marketing emerged in the 21st century as a well-established mainstream academic subdiscipline.

Gilmore and Carson (1996:41) mention distinct differences between managing in a services-marketing situation and managing in a goods-marketing situation.

(a) The nature of service (a performance and not a physical item).
(b) Types of relationships between service organisations and customers.
(c) The scope of customisation and the level of judgment required of personnel in service delivery.
(d) How the service is delivered.
(e) The attributes of the service product (people or equipment-based).

In this section services marketing was defined and described by first defining the difference between a service and a product or good and also describing the tangibility aspects of services and goods. Services marketing emerged as a distinct subdiscipline in marketing. It is therefore important to give context to the discussion on customer experience later in this chapter, as customer experience is closely related to services marketing in the retail banking industry.

4.2.2 The marketing mix

One of the most basic concepts in marketing, and also in services marketing as subdiscipline, is the marketing mix which Zeithaml and Bitner (2003:23) define as “the elements an organisation controls that can be used to satisfy or communicate with customers”. In this study the importance of the marketing mix lies in the close correlation that exists between the marketing mix elements and the elements of a total customer experience.

The marketing mix is the mixture of controllable marketing variables an organisation uses to pursue desired sales in the target market (Kotler, 1984:68). The marketing mix is also the combination of marketing activities an organisation undertakes to best meet the needs of its targeted market. According to Grönroos (2002:129), the way most textbooks treat marketing today was introduced around 1960. The concept of a marketing mix and the 4Ps of marketing (ie product, price, place, promotion) appeared in textbooks in the 1960s. For decades the 4Ps remained an indisputable paradigm in academic research and its validity was taken for granted.

Grönroos (2002:130) states that the marketing mix developed from a notion of the marketer as a “mixer of ingredients” - an expression originally used by Culliton in the 1940s. Borden (in Constantinides, 2006:408) introduced the marketing mix concept in the 1950s, and the mix of different means of competition became the 4Ps. The marketing mix is in fact a list of categories of marketing variables. Most marketing practitioners consider the marketing mix to be the toolkit of transaction marketing and the archetype for operational marketing planning (Grönroos, 1994, in Constantinides, 2006:408).

4.2.2.1 The 4Ps: advantages, criticism and further development

Despite the background and status of the marketing mix as a major theoretical and practical parameter of contemporary marketing, several academics have expressed doubts and objections about the value and the future of the mix, proposing alternatives that range from minor modification to total rejection (Constantinides, 2006:409).

Rafiq and Ahmed (1995:4) believe the marketing mix concept to be one of the core concepts of marketing theory. However, in recent years the popular version of the 4Ps (ie product, price, promotion and place) has increasingly come under attack. Most of the criticism came from the services marketing area. A new 7Ps framework was introduced and applies to consumer goods and marketing situations that demonstrate the advantages it has over the 4Ps framework. Day and Montgomery (1999:3) suggested at the end of the 20th century that “with the growing reservations about the validity or usefulness of the 4Ps concept and its lack of ercignition of marketing as an innovating or adaptive force, the 4Ps are now regarded as merely a handy framework”.

From a services marketing point of view, Constantinides (2006:418) investigated a number of arguments regarding the 4Ps as well as propositions for changes to the marketing mix. These arguments are summarised in Table 4.1 below.

Table 4.1: The marketing mix in a services-marketing context

Author	Argument	Proposition
Booms & Bitner (1981)	Recognising the special character of the services as products, these authors demonstrate the importance of environmental factors that influence the quality perspective.	The services marketing mix includes three additional Ps: - participants - physical evidence - process

Author	Argument	Proposition
Brunner (1989)	The 4Ps marketing mix should be extended to include more factors that affect services marketing, thus becoming mixes themselves.	- concept mix - cost mix - channels mix - communication mix
Fryar (1991)	Segmentation and differentiation are basic to successful positioning of services. A personal relationship with the customer and the quality of the service are important elements of services marketing.	The marketing of services require: - differentiation based on segmentation and positioning - customer contact - unique vision and quality
Heuvel (1993)	Interaction between the entity delivering the service and the customer is very important and has a direct effect on service quality and quality perception.	The services marketing mix: - personnel - product - place - price - promotion
Doyle (1994)	While recognising that the content of the 4Ps in the services sector is somewhat different, Doyle identifies difficulties in terms of promotion and place.	The services marketing mix: - product - price - communication - distribution
Grove (2000)	These authors believe that services marketing can be compared with a theatrical production. How the service is performed is as important as what is performed. The critical factor is therefore customer experience.	Four strategic theatrical elements constitute the service experience: - actors - audience - setting - performance

Author	Argument	Proposition
		These elements should be added to the extended services marketing mix proposed by Booms and Bitner (1981).
Beckwith (2001)	Marketing services in a changing world requires focusing on increasing customer satisfaction and rejecting old paradigms and marketing fallacies.	The four key modern (services) marketing elements: - price - brand - packaging - relationships

Source: Adapted from Constantinides, 2006:418-420

It is clear from the different viewpoints depicted in Table 4.1 that various frameworks were developed over time to identify the elements of the marketing mix.

According to Zeithaml and Bitner (2003:23-25), "the traditional marketing mix is composed of the four Ps: product, price, place and promotion. These elements appear as core decision variables in any marketing text or marketing plan. Because services are usually produced and consumed simultaneously, customers are often present in the organisation's factory, interact directly with the organisation's personnel and are actually part of the service production process. Also, because services are intangible, as illustrated in Figure 4.2, customers will often be looking for any tangible cue to help them understand the nature of the service experience. Acknowledgement of the importance of these additional communication variables has led services marketers to adopt the concept of an expanded marketing mix which includes people, physical evidence and process".

The description above of the marketing mix and how it evolved over time indicates that the current view on the marketing mix is that it consists of seven Ps applicable to products and services.

The seven Ps may be defined as follows:

(i) Product

Goods may be defined as objects, devices or things, whereas services may be defined as a deeds, efforts or performances. The term “product” refers to both goods and services (Hoffmann & Baleson, 2001:4). Hawkins, et al. (2004:19) define “product” as “anything a consumer acquires or might acquire to meet a perceived need”. In retail, product is of prime importance. The type of product signals the type of customer who would visit an outlet or buy the product (Gupta, 2005:19).

In this study, product is perceived as a possible differentiator in retail banking and it is one of the elements of total customer experience.

(ii) Price

Kotler (1984:70) states that price is a very important marketing decision variable. Price is defined as the amount of money customers have to pay for a product. Zikmund and Babin (2007:402) define pricing as “finding the amount of monetary sacrifice that best represents the value customers perceive in a product after considering various market constraints”.

In this study price is considered a possible differentiator in retail banking and it is an important element of total customer experience.

(iii) Place

Place “stands for the various activities the organisation undertakes to make the product accessible and available to target customers” (Kotler, 1984:70).

Zeithaml and Bitner (2003: 24) describe place as “channel type, exposure, intermediaries, outlet location, transportation, storage and managing channels”.

In this study place is an important element of total customer experience.

(iv) Promotion

Zikmund and Babin (2007:402) define “promotion” as “the communication function of the organisation responsible for informing and persuading buyers”. Promotion “stands for the various activities the organisation undertakes to communicate its products’ merits and to persuade target customers to buy them” (Kotler, 1984:70).

A new focus in promotion is the way organisations look at the in-store experience of their customers. This is also known as “internal marketing” (Gupta, 2005:19). Internal marketing is defined by Zeithaml and Bitner (2003:319) as “the activities that management engages in to aid the providers in their ability to deliver on the service promise, i.e. recruiting, training, rewarding and providing equipment and technology”.

Zeithaml and Bitner (2003:24) describe promotion as “promotion blend, sales people (number, selection, training, incentives), advertising (targets, media types, types of ads, copy thrust), sales promotions and publicity”.

In this study promotion plays an integral role in the total customer experience.

(v) People

People play a significant role in customer experience. Staff experience leads to customer experience, and the whole is experienced by people. Without people there will be no experience.

Zeithaml and Bitner (2003:24) define people as “all human actors who play a part in service delivery and thus influence the buyer’s perceptions: the organisation’s personnel, the customer and other customers in the service environment”.

In this study people are also indicated as a key element of a total customer experience.

(vi) Process

Zeithaml and Bitner (2003:25) define “process” as “the actual procedures, mechanisms and flow of activities by which the service is delivered – the service delivery and operating systems”.

In this study, process is also indicated as an element of total customer experience.

(vii) Physical evidence

Zeithaml and Bitner (2003:25) define “physical evidence” as “the environment in which the service is delivered and where the organisation and customer interact, and any tangible components that facilitate performance or communication of the service”.

In this study the physical evidence plays an important role in understand where customer experiences take place.

4.2.2.2 Applying the marketing mix

Wise and Sihori (2005:10-11) argue that leading marketers are actively pursuing new growth opportunities in more systematic ways. Marketers are using return-on-investment approaches to pinpoint and reinforce the resources that can enhance corporate growth. Achieving such gains require the right data and the right types of analysis. It is therefore important to implement the marketing mix in an optimal way leading to growth.

Wise and Sirohi (2005:10-11) offer the following guidelines as the best way to identify and implement the marketing mix that will advance an organisation's growth objectives:

(i) Set up the right scorecards. It is crucial to develop a clear and consistent set of metrics across marketing campaigns, business units and customer segments in order to make effective comparisons.

(ii) Track and analyse. Put the metrics to work and understand the key drivers.

(iii) Don't be afraid to experiment. Historical analysis is limited to determining the return on earlier investments. Use controlled experiments to improve the return on investment (ROI).

(iv) Keep both brand and revenue in mind. Marketing investments should build brand equity.

(v) Look over the fence. Opportunities to improve ROI come from reallocating investments across areas.

(vi) Build a "test and learn" culture. Success hinges on a culture that encourages continuous feedback.

It is evident from the above that there is a connection between the evolution of the marketing mix elements towards a more customer-centric approach and the evolution of a total customer experience as described in paragraph 4.3.2.

The researcher will also indicate in paragraph 4.4.2.9 and Figure 4.4 the close correlation between the elements of the marketing mix and the elements of the customer experience. The correlation is based on the 7Ps as elements of the marketing mix as described in paragraph 4.2.2.1.

4.2.3 Services marketing and relationship marketing

When researching customer experience, relationship marketing is an important concept as described in paragraph 1.5. In this section the researcher indicates the differences and relations between services marketing and the philosophy of relationship marketing.

According to Dibb and Meadows (2001:171) the origin of relationship marketing lies in services marketing, the network approach to industrial marketing and quality management. The underlying logic for relationship marketing is that selling organisations should take a longer-term view of customer relationships to ensure that those converted are also retained.

Dibb and Meadows (2001:171) also argue that relationship marketing had a major impact on the marketing discipline, triggering a paradigm shift away from transaction-based marketing towards a relationship focus. One explanation is provided by Payne (1994:29): "… transaction marketing of the 1980s placed the emphasis on the individual sale; relationship marketing of the 1990s places the emphasis on individual customers and seeks to establish a long-term relationship between the customer and the organisation." Because of this shift, marketing definitions are emerging that emphasise relationships rather than the components of the marketing mix. A typical example of these new definitions is one by Grönroos (1994:9): "… marketing is to establish, maintain and enhance relationships with customers and other partners at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment of promises".

Grönroos (2002:138) says that the concept of relationship marketing has emerged from the fields of services marketing and industrial marketing. To a considerable extent, both these approaches to marketing are based on establishing and maintaining relationships between sellers and buyers and other parties in the marketplace. An integral element of the relationship-marketing approach is the promise concept. The responsibilities of marketing do not only, or predominantly, include giving promises and persuading customers to act in a certain way. Fulfilling promises that have been given is equally important as a means of achieving customer satisfaction, retention of customers and long-term profitability.

O'Loughlin, Szmigin and Turnbull (2004:522-523) state that although it has been argued that relationship marketing is not appropriate for all consumer markets there appears to be consensus in the literature that a relationship approach is suitable for most services industries including retail banking.

Dibb and Meadows (2001:173-174) state that relationship marketing has attracted interest in the banking sector as research has shown that high organisational performance is linked to the practice of relationship marketing. It has been suggested that relationship marketing is an appropriate strategy for retail banks. Banking strategies mainly fall between a relationship and a product focus and in many services business such as retail banks the intangibility of the offerings of banks highlights the importance of relationships.

Relationship marketing within a services marketing context is therefore important when researching customer experience in a retail banking context as the relationship with the customer forms an integral part of the experience.

4.2.4 Retail marketing

Services marketing and relationship marketing have been described earlier in paragraph 4.2.3. As this study is conducted within the retail banking industry it is important to understand retail marketing as a concept within the marketing discipline as described in paragraph 1.5.

Constantinides (2006:421) believes that the consolidation of the retail sector, globalisation and private branding have transformed the retailing landscape. Significant power migration along the supply chain gradually gave retailers more control over marketing processes and at the same time exposed them to increasing competition. In trying to build strong market positions and competitive advantages, retailers were forced to adopt more professional and proactive commercial approaches, gradually becoming marketers rather than distributors and in-store merchandisers. Supply-chain management, efficiency, customer retention and customer lifetime value form the cornerstones of many retailers' marketing strategies today. Consistent efforts to build long-term relationships with customers shifted the focus from passive application of the 4Ps to "execution", where retail formats, personnel, service and presentation have become critical elements in retail marketing.

This study is conducted in the retail banking industry and the same aspects of retail marketing apply to marketing in this industry.

To conclude, the researcher discussed the concepts of services marketing, the marketing mix, relationship and retail marketing. These concepts all provide an important background for the concept of customer experience as described in paragraph 4.3.

4.3 CUSTOMER EXPERIENCE AS A CONCEPT

This study focuses on customer experience as a differentiator. This section describes and analyses the concept of customer experience against the background of services marketing in paragraph 4.2.

4.3.1 Introduction to customer experience

Over the past few years, there has been an increasing trend towards creating "experiences" for customers, particularly for those in the services sector. Because of this trend, authors such as Pine and Gilmore (1999:ix-x) are of the opinion that the service economy has been transformed into an attention economy, an entertainment economy, a dream society, an emotion economy or an experience economy. As the commoditisation of many service offerings continues, organisations have to devise new ways to achieve a competitive advantage, and in particular by focusing on the design and management of customers' experiences. Experiences are inherently emotional and personal (Pullman & Gross, 2003:215).

To compete successfully in the customer experience territory, a growing number of organisations are systematically applying the principles and tools of total customer experience (TCE) to generate, strengthen and sustain enduring customer loyalty. Marketers today believe that engineering TCE and lasting customer loyalty are important in maintaining a customer focus and in creating customer preference (Mascarenhas, Kesavan & Bernacchi, 2006:397).

Organisations that apply total customer experience principles have the following features in common (Mascarenhas, et al., 2006:398-399):

- Anticipating and fulfilling customer needs and wants better than competitors do.
- Providing real customer experiences.
- Providing a real emotional experience.

- Providing experience as a distinct market offering.
- Utilising experiences as interaction.
- Changing experiences into engaging memories.

These principles listed above imply the customer experience is applied throughout the organisation. The customer experience is in the DNA of the organisation – its people, processes and architecture.

4.3.2 The evolution of a total customer experience

The concept of a total customer experience as utilised in this study evolved over time. Figure 4.3 shows this evolution from a service quality focus during the 1980s to a customer service focus during the 1990s and recently a total customer experience focus. This shift in focus is found in strategies of organisations where "quality" was a well-known concept in vision statements during the 1980s, moving to "customer focus" or "customer centric" being utilised in vision statements uring the 1990s. It is important to note in Figure 4.3 that customer experience includes the concepts of customer service and service quality.

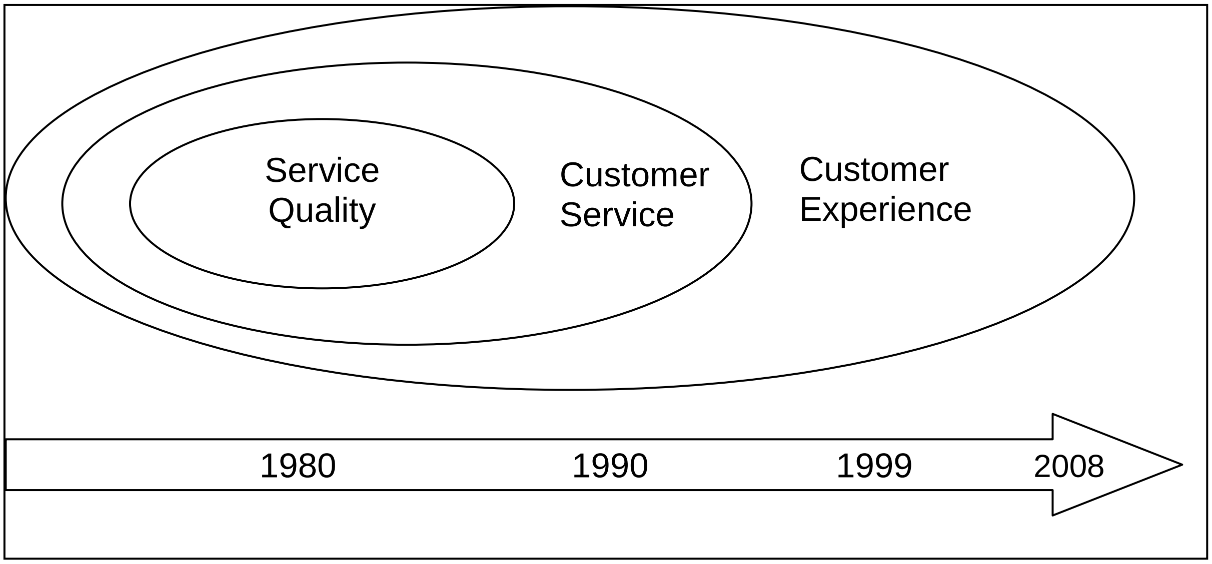


Figure 4.3: The evolution of customer experience

Source: Author's own

The modern concept of customer service has its roots in the craftsman economy of the 1800s, when individuals and small groups of manufacturers competed to produce arts and crafts to meet public demand. The advent of mass production in the early twentieth century, followed by an explosion in the demand for goods after World War II, increased the power of suppliers at the expense of consumers and reduced the importance of customer service. A shift in this balance began in the 1970s, as international competition increased and the dominance of Western manufacturing was challenged, first by Japan, then by Korea, China and other developing economies. Producers responded by improving the quality of their products and services (Berry, 1999, in Zeithaml & Bitner, 2003:11-12).

According to Zeithaml and Bitner (2003:11-12), many organisations jumped on the service bandwagon during the 1980s and early 1990s, investing in service initiatives and promoting service quality to differentiate themselves and create a sustainable competitive advantage. Many of these investments were based on faith and intuition by managers who believed in serving customers well and who believed that quality service made good business sense. Since the mid-1990s, organisations began to demand hard evidence of the bottom-line effectiveness of their service strategies.

According to Blanchard and Galloway (1994:5-7), the economic boom of the 1990s increased the power of suppliers who, whilst not completely reverting to lower standards of service, were able to be more selective about the customers they wanted to serve and what level of service they were prepared to provide.

The financial services sector has seen a growing intensity of competition within the market place, particularly over the past two decades. The competition emerged in the 1970s when banks and building societies based their major competitive strategies on the traditional marketing mix elements of product, price, promotion and place. This led, in the eyes of the customer, to homogeneity rather than distinction and a competitive strategy based on full product lines (Blanchard, 1994:5-7).

A good example of the evolution of customer experience is the mobile phone market in Europe. According to Shaw (2007:5), this industry enjoyed massive growth during the late 1990s and early 2000s and effectively could not care less about customer experience.

4.3.2.1 The 1980s: service quality focus

Galloway (1996:22-29) says that during the 1980s customer awareness led to a greater degree of customer sovereignty and organisations could no longer afford to neglect customer needs. The differentiator that provided a competitive advantage at the time was quality of service.

During the 1980s, the focus was mainly on customer satisfaction. An entire debate stemmed from the differences in service quality and customer satisfaction and the causal relationship between them. Satisfaction studies attempted to measure expectations at the same time as perceptions. Customer satisfaction was defined as “a transitory judgement made on the basis of a specific service encounter whereas service quality is a global assessment based on long-term attitude” (Mattila, 2005:97).

According to Parasuraman, Zeithaml and Berry (1985:41), attaining quality in products and services became a pivotal concern during the 1980s. But although marketers described and measured the quality of tangible goods, the quality of services remained largely undefined and unresearched.

As services are considered intangible, organisations may find it more difficult to understand how customers perceive their services and service quality. “Service quality is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customer expectations on a consistent basis” (Parasuraman, Berry & Zeithaml, 1985:42).

According to Vargo and Lusch (2004:2, 5) marketing has moved from a goods-dominant view in which tangible output and discrete transactions were central to a service-dominant view towards the 21st Century. In a service-dominant view intangibility, exchange processes and relationships are central. "The service-centered dominant logic represents a reoriented philosophy that is applicable to all marketing offerings, including those that involve tangible output (goods) in the process of service provision" (Vargo & Lusch, 2004:2). The service-centered view of marketing implies a series of social and economic processes focused on competitive value propositions.

Parasuraman (1994:35) also said that competing organisations in the 1980s provided the same types of service, but they did not provide the same quality of service. Thus service quality became the great differentiator, the most powerful weapon of service organisations.

Berry, Parasuraman and Zeithaml (1985:45-46) determined ten determinants of service quality by using focus groups: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the customer and tangibles.

During the 1980s and 1990s, authors like Lehtinen (1996), Berry (1985), Parasuraman (1985), Zeithaml (1985) and Grönroos (1996) agreed that service consisted of an outcome and a process element. Galloway (1996:22-29) also provided a classification of service quality.

Lehtinen and Lehtinen (in Galloway, 1996:22-29) identified three dimensions of service quality.

(i) Physical quality (equipment, premises and tangibles)
(ii) Corporate quality (image and profile of the organisation)
(iii) Interactive quality (customer contact with service personnel).

Grönroos (in Galloway, 1996:22-29) identified five key determinants of service quality.

(i) Professionalism and skills
(ii) Reputation and credibility
(iii) Behaviour and attitudes
(iv) Accessibility and flexibility
(v) Reliability and trustworthiness.

Zeithaml and Bitner (2003:3) define service as deeds, processes or performance. Carlzon (Curry, 2004:331–333) states that quality in the service operation is created at the "moment of truth". However, technology in the provision of services tends to make the "moment of truth" a mechanical experience, lacking in emotion.

During the late 1980s providers of professional services awakened to consumer challenges and the realities of marketing. With these changes, a related and equally important issue emerged – service quality and evaluating the service encounter. Evaluation of a service encounter has one of two outcomes: satisfaction or dissatisfaction. Zeithaml and Bitner (2003: 86) define satisfaction as "the customer's fulfilment response. It is a judgement that a product or service feature, or the product or service itself, provides a pleasureable level of consumption-related fulfilment". Zeithaml and Bitner (2003:86) then also state that a failure to meet the needs and expectations of a customer results in dissatisfaction.

Organisations which provided a superior service achieved better business results (Keiser, 1988:65-66). In a 15-year study, the Cambridge, Massachusetts-based Strategic Planning Institute compared organisational growth and profitability. The study indicated that market share, return on investment and asset turnover are all linked to the perceived quality of an organisation's goods and services. Regardless of the industry, service quality is one of the most powerful tools for shaping perceptions of overall quality. However, it is difficult to attain superior quality in the services sector, and correcting a customer service problem requires tremendous effort over a long period of time.

In today's marketplace, service has to be outstanding. If it is not outstanding, it will be considered mediocre. The principal objective of an organisation that focuses on service quality should be the integration of a service quality philosophy into customer-service training (Spechler, 1989:20-21).

At the end of the eighties new rules of thumb emerged in the service industry (Liswood, 1989:42-45).

(a) It costs five times as much to get a customer than to keep one.
(b) It takes twelve positive service experiences to overcome one negative experience.
(c) 25 to 50 percent of the operating expenses of an organisation can be attributed to poor service quality – to the cost of not doing it right the first time.

Liswood (1989:42-45) says that organisations who lose customers are spending more than they need to; they are wasting valuable assets. This raises two questions: Shouldn't stock analysts, investment brokers, venture capitalists, bankers and others have a clear way to confidently evaluate their services? Shouldn't those results get factored into any sales price or investment decision?

Customer service quality was a widespread concern in the banking industry in the late1980s. If they were to manage service quality effectively, banks had to define what service quality meant to their customers before they could develop ways to measure quality and control it. Probably the most critical weakness in service quality programmes was the lack of effective, ongoing measurement. However, measurement alone would not maximise an institution's customer service performance. Employees who met or exceeded service goals should have been formally recognised and rewarded (Brewton, 1989:92).

During the 1980s the emphasis of both academic and managerial effort focused on determining what service quality meant to customers and developing strategies to meet customer expectations. Since then, many organisations have instituted measurement and management approaches to improve their service. The service quality agenda has shifted and been reconfigured to include other issues, for example understanding the impact of service quality on profit and other financial outcomes of organisations (Zeithaml, Berry and Parasuraman, 1996:31).

Howcroft (Blanchard, 1991:5) defined service quality as follows: "… service quality in banking implies consistently anticipating and satisfying the needs and expectations of customers".

The most widely reported framework for service quality in the 1980s is the one proposed by Parasuraman (Parasuraman, Zeithaml & Berry, 1985:41-50), consisting of five dimensions.

(i) Tangibles: physical facilities, equipment and appearance of personnel.
(ii) Reliability: the ability to perform the promised service dependably and accurately.
(iii) Responsiveness: willingness to help customers and to provide prompt service.
(iv) Assurance: the knowledge and courtesy of employees and their ability to inspire trust and confidence.
(v) Empathy: caring, individualised attention to customers.

The expectations component of this service quality framework (SERVQUAL) is a general measure and pertains to the service levels customers believe excellent organisations in an industry should deliver (Parasuraman, Berry & Zeithaml, 1993:141).

4.3.2.2 The 1990s: customer service focus

During the 1990s the focus shifted from an internal quality focus to a more external customer focus. Organisations started realising that satisfied customers as measured in terms of quality is not enough to create differentiation in an industry.

Zeithaml and Bitner (2003:4) define customer service as “the service provided in support of a company’s core products”.

According to Coskun (1992:15-16), the quality of an organisation’s products and services was one of the most important factors in creating a competitive edge. Customer service plays a pivotal role in developing quality, particularly if the organisation’s product is service. In banking, the competitive edge almost exclusively derives from the quality of the bank’s services.

Coskun (1992:15-16) also says that in the past, service was often mistakenly equated with courtesy. Because of this misconception, banks invested heavily in technology in the belief that it would improve their services. As financial institutions tried to improve their efficiency by introducing technology, their products (the supply side) became more standardised (ie dehumanised) and the quality of their customised services declined. On the demand side, however, the pressure increased for banking to be more humanised (customised).

Banking is one of the most personal and sensitive issues from a customer’s perspective. As social conditions make it more difficult for customers to survive financially, a customer’s relationship with a particular bank becomes more crucial. For this reason the quality of the bank/customer relationship has been regaining attention. Surveys indicate that truly meeting customer needs is the key to customer retention (Coskun, 1992:15-16).

4.3.2.3 1999 and the 2000s: Total customer experience focus

The researcher derived from the information thus far that organisations began to realise that a satisfied customer cannot only be measured in terms of the tangible qualities of products and services. Emotional attitudes and behaviours started to play a role in customer experiences, leading to a holistic approach to customer experience (encompassing product, price and service delivery).

Organisations subsequently evolved to where they currently are with respect to customer experience. The challenge is to understand customer experience as a concept.

4.4 DEFINING TOTAL CUSTOMER EXPERIENCE AND ITS ELEMENTS

Against the background of services marketing in paragraph 4.2 and the evolution of customer experience in paragraph 4.3.2 this section of the study provides a literature description of the concept customer experience and its elements.

As described in paragraph 4.4.1 customer experience has been defined by many authors. It is a holistic concept and comprises various elements to be described in paragraph 4.4.2.

4.4.1 Total customer experience defined

Customer experience is defined by various authors in various ways in Table 4.2. Their words differ, but a key message, namely that it starts with the customers and their emotions and behaviours when interacting with an organisation, runs through all the definitions like a golden thread. It is also clear from the definitions that customer experience incorporates service quality and customer service.

Table 4.2: Definitions of customer experience

DEFINITION	SOURCE
The customer service experience is about service quality. The construct of quality as conceptualised in the literature centres on perceived quality. Perceived quality is defined as ‘the consumer’s judgement about an entity’s overall excellence or superiority’. Service quality stems from a comparison between what customers feel an organisation should offer (their expectations) and their perceptions of the performance of the organisation in providing the service. The generic	Dawes & Rowley (1998:350)

DEFINITION	SOURCE
dimensions of service quality are reliability, assurance, tangibles, empathy and responsiveness.	
Economic value has evolved in phases, from producing commodities to producing goods and services and finally experience. Business as usual will no longer suffice and companies must move beyond it to reach out to and engage with their customers by way of a show-business mentality. Show business as an experience for customers has four specific qualities: entertaining, engaging, boundary breaking and value creating.	Pine and Gilmore (1999:5, 29)
The totality that customers experience is called the service experience of customers with respect to a service operations system. Customers' service experience relays how service contacts actually occur. When a customer purchases a service, he or she purchases an experience created in the service operations of a service organisation.	Tseng (1999:50)
Marketing experience is another way of defining customer experience. A marketing experience 'creates absorbing venues – real or virtual places – where customers can try out offerings as they immerse themselves in the experience'. The aim of marketing is to make selling superfluous … the aim of experience is to make marketing superfluous. Leading companies employ to create demand: the experience is the marketing. These companies have learned how to market their offerings with an experience so engaging that potential customers cannot help but pay attention – and pay up. Innovative companies in a wide variety of industries create customer experience places – real or	Gilmore & Pine (2002:4-5)

DEFINITION	SOURCE
virtual venues where customers can try out offerings as they immerse themselves in thrilling, absorbing experiences.	
A total customer experience is a consistent representation and flawless execution, across distribution channels and interaction points, of the emotional connection and relationship you want your customers to have with your brand.	Seybold (2002:108)
Good experiences build loyalty behaviour through some kind of emotional connection and customer perceptions of time, structure and context. Branded customer experience may be defined as 'een ervaring die consistent, opzettelijk, onderscheidend and waardevol is'.	Smith and Wheeler (2002:1)
An experience occurs when a customer has any sensation or knowledge acquisition resulting from some level of interaction with different elements of a context created by a service provider. Successful experiences are those that the customer finds unique, memorable and sustainable over time, would want to repeat and build upon, and enthusiastically promotes via word of mouth.	Pullman & Gross (2003:216)
The customer's total experience directly affects perceptions of value, word-of-mouth endorsement and repatronage intentions. Customer experience management 'focuses on different parts of an organisation on the common goal of creating an integrated, aligned customer feeling'. There are three fundamental principles that provide a foundation for	Haeckel, Carbone & Berry (2003:20-22)

DEFINITION	SOURCE
creating distinctive customer value through experiences. Each requires a cross-functional organisational perspective. The three principles are: - Fusing experiential breadth and depth. Experience breadth refers to the sequence of experiences customers have in interacting with an organisation. Breadth refers to identifiable stages customers undergo in the experience; depth refers to the number and diversity of sensory clues at each stage. - Use mechanics and humanics to improve function. Mechanics and humanics must be simultaneously addressed and blended with the functional clues of the offering into reciprocally supported experience clues. - Connect emotionally. Organisations with effective experience management systems understand and respond to the emotional needs of their customers. Managing customer experiences requires awareness of all their senses throughout the experience. ‘Experience pioneers will be focused on creating a business that delivers the brand as an experience incorporating values. This is the real transformation, real meaning and real potential of becoming a customer-centric business’.	
Experience has not been optimised unless it can be defined, measured and linked to specific business outcomes. Some companies define customer experience in terms of touch points between the company and the customer, such as installation, change of service or	Wyner (2003:6)

DEFINITION	SOURCE
discontinuation. Companies that provide a venue (eg restaurants, retail stores) define experience as specific occasions. Transportation companies define it as trips between origin and destination. Virtually all companies create messages to convey branded experiences via advertising and other forms of marketing communication. It is very important to distinguish between the physical delivery of the experience and the way the customer feels about it (the customer’s emotional state).	
Customer experience management is ‘the process of strategically managing a customer’s entire experience with a product or a company. It is a business practice aimed at driving growth, increasing revenue and spurring organisational change by ensuring customers’ experiences meet their expectations.’	Schmitt in Colman & Kiska (2003:6)
To produce ‘wow’ experiences, we should start with the end in mind. Start with the customer’s needs and desires, and then design a system of clues that move the customers to an end state in which those needs and desires have been fulfilled.	Gordon (2004:1)
‘A customer experience is an interaction between an organisation and a customer. It is a blend of an organisation’s physical performance, the senses stimulated and emotions evoked, each intuitively measured against customer expectations across all moments of contact.’	Shaw (2005:6)
Satisfaction is an important consumer-based construct. Satisfaction is the result of a customer’s assessment of a service based on a comparison of perceptions of service	Flanagan, Johnson & Talbot (2005:374)

DEFINITION	SOURCE
delivery with prior expectations. Satisfaction is the result of a service experience. Service experience may be defined as 'a customer's feeling of confidence in an organisation'. The New Oxford English Dictionary describes confidence as 'feeling/belief that one can have faith in something, where faith in turn is defined as trust/strong beliefs'.	
'A brand is the sum of the customer's experiences with the product of a company … An effective customer experience programme analyses rich customer feedback to determine not just what customers say, but also what they do.'	Hogan (2005:12)
Great customer experiences are: - A source of long-term competitive advantage - Created by consistently exceeding customers' physical and emotional expectations - Differentiated by focusing on stimulating planned emotions - Enabled through inspirational leadership, an empowering culture and empathetic people who are happy and fulfilled - Designed outside-in rather than inside-out - Revenue-generating, and can significantly reduce costs - The embodiment of the brand	Shaw (2005:16)
'Great customer experiences are consistent, captivating and memorable by design. To achieve this, organisations must seize and retain their customers' complete attention by deliberately planning a defined customer experience that stimulates customer senses and deeply engages their	Shaw (2005:57)

DEFINITION	SOURCE
emotions.’	
‘Delivering a total customer experience goes beyond mere customer satisfaction and is a relatively new concept since satisfied customers could still defect.’	Mascarenhas, Kesavan & Bernacchi (2006:397)
‘A customer experience is about a number of things. It is about a physical customer experience, such as price, product, location, opening times, the channel that is used, and so on. Critically it is also about emotions. Over 50% of a customer experience is about emotions.’	Shaw (2007:8)

It is clear from the definitions in Table 4.2 above that total customer experience is a concept that evolved over time to become a systemic and holistic concept focused on the customer. It is about a “human” interaction and therefore the emotions of customers are a vital part of an experience.

The researcher believes that the definition by Seybold (2002:108) namely “a total customer experience is a consistent representation and flawless execution, across distribution channels and interaction points, of the emotional connection and relationship you want your customers to have with your brand” encompasses all the most important aspects of the total customer experience and is therefore adopted for this study.

The customer experience is felt in all interactions with an organisation and therefore it is important to understand that customers interact with an organisation through various means and the experience must always be the same. This is true for any services organisation including retail banking. With the evolution of retail banking as described in Chapter 2 the means through which customers interact with banks are continuously expanding, making the the challenge even more relevant.

4.4.2 Elements of total customer experience

From the definitions of total customer experience given in paragraph 4.4.1 it is clear that a total customer experience consists of a variety of elements.

The following key elements of customer experience are entrenched across the organisation (Shaw, 2005: xix), namely strategy, culture, customer expectations, processes, channel approach, marketing and brand, systems, people and measurement.

According to Shaw (2005:xix), each of these elements represents an area in the organisation that has an extensive effect on customer experience. Supporting views and statements from the literature to substantiate the relevance of seven of the above elements follow in paragraphs 4.4.2.1 to 4.4.2.8. Measurement, the eighth element, will be described in Chapters 6 and 7.

4.4.2.1 Strategy

The first important element of a total customer experience is strategy. Strategy has been described and defined in detail in paragraph 3.2 in Chapter 3.

Organisations require a strategy that creates a unified view of customers from the perspectives of operations, analytics and collaboration along the entire customer relationship value chain (Heskett, 1997:106).

4.4.2.2 Culture

The second important element of a total customer experience is culture. Culture refers to the shared values, vision or credo that creates a propensity for individuals to act in certain ways. According to Hrebiniak (2005:261) organisational culture includes the norms and values of the organisation, including the vision shared by its personnel. Culture usually has a behavioural component, defining the “way an organisation does things”.

According to Basch (2002:2-3), human behaviour is based on culture. If the organisational culture is dedicated to providing a high level of service to customers, its employees will provide that service. The six main qualities of a well-designed cultural system devoted to customer care are:

(i) Vision (a clear picture of the customer experience you want to provide).
(ii) Values (an inviolable code or rules of behaviour).
(iii) Goals (specific results the organisation wants to achieve during a specific period).
(iv) Relevance (the desire people feel about achieving a goal because they find it meaningful).
(v) Actions (the particular steps people take to achieve goals).
(vi) Feedback (the measurement system that assesses organisational achievements).

4.4.2.3 Customer expectations

The third important element of a total customer experience is customer expectations. The expectations of customers serve as a benchmark in terms of which present and future service encounters can be compared. Customer expectations are what customers think they will receive from a service encounter. These expectations may be divided into at least three levels.

(i) The predicted service level (the anticipated level of performance).
(ii) The desired service level (the level of service the customer wants or hopes to receive compared to the predicted service level).
(iii) The adequate service level (the minimum level of service the customer will tolerate or accept without being dissatisfied) (Cant, et al., 2002:239).

Parasuraman, et al. (1990:34) state that customers evaluate an organisation’s service quality by comparing service performance (perceptions) with what they think performance should be (expectations). Customers’ service expectations provide a context for their assessment of the service. When service performance falls short of expectations a servive quality gap results as depicted in Figure 4.4 below.

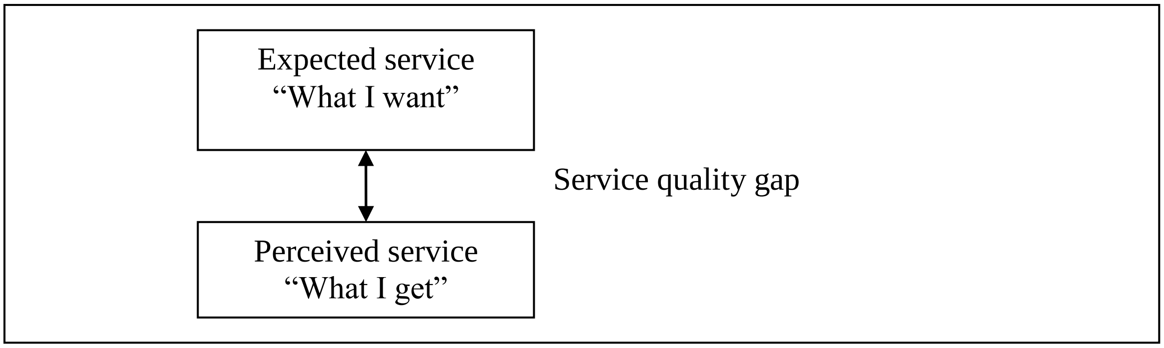


Figure 4.4 Customer expectations and perceptions

Source: Adapted from Parasuraman, et al., 1990:35

A number of different attributes contribute to understanding customer expectations and customer loyalty, namely people, product and service delivery, place (convenience), product features, price, policies and procedures, and promotion and advertising (Smith, 2001:5). Two primary components exist in this context, namely physical and relational. Physical context is referred to as "mechanics clues" (sights, smells, sounds and textures). Relational context is referred to as "humanic clues" (people behaviours). Managing customer experience means "orchestrating" all these "clues" to meet or exceed people's emotional needs and expectations. A successful service experience provider such as Disney spends many months on training employees in relational methods for them to connect emotionally with guests during social interactions (Pullman & Gross, 2003:218).

4.4.2.4 Processes

The fourth important element of a total customer experience is process. According to the Oxford dictionary, a process is "a series of actions or tasks performed in order to do, make or achieve something" (Hornby, 1998:922).

Process has been identified as one of the additional elements to the marketing mix (described in paragraph 3.2.4). Once organisations have a shared view of customer experience, processes are needed to reinforce and support the goal of improving customer experience (Dorsey & Bodine, 2006:7).

4.4.2.5 Channel approach

The fifth important element of a total customer experience is the channel approach (delivery). Channel is incorporated in “place”, one of the 4Ps of the marketing mix described in paragraph 4.2.2.

Self-service will be part of transforming customer experience. However, to be successful, the customer self-service initiative should integrate the right technology, business processes and user adoption strategies.

According to Lee (2002:242), it is acknowledged that retail banks and their customers expect benefits in two different channels of the marketing of financial products and services: face-to-face and directly. Banks have to provide financial products and services via different delivery channels to meet the different needs of customers. Finding the right delivery channel will facilitate the marketing of their products and services and promote long-term relationships. The key is to deliver the right mix of products and services via the right channels to the right segments of customers.

4.4.2.6 Marketing and brand

The sixth important element of a total customer experience is marketing and the brand.

Marketing is defined as “a social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others” (Kotler, 1984:4). More recently, Hair, Bush and Ortinau (2006:5) state that marketing’s purpose is to enable an organisation to plan and implement “pricing, promotion and distribution or products, services and ideas" to create satisfaction, as described in paragraph 1.5.

According to Aaker and Keller (1990:29) an important brand association is the overall brand attitude. Brand attitude is based on certain attributes such as durability, incidence of defects, serviceability, features and performance. Attitude is conceptualised in terms of the customer's perception of the overall quality of the brand.

An organisation's first step in managing total customer experience is recognising the clues it is sending to customers. The clues that make up a customer experience are everywhere and easily discerned. Anything that can be perceived or sensed – or recognised by its absence – is an experience clue. Thus the product or service provides one set of clues, the physical setting offers more clues, and the employees – through their gestures, comments, dress and tone of voice – provide still more clues (Berry, Carbone & Haeckel, 2002:85-86).

"A strong brand promise can influence what customers remember about their experiences with a product or service" (Barlow & Steward, 2004:42). Barlow and Steward (2004:45) also believe that a brand idea can be enforced by means of pictures, language and behaviour – all of which evoke emotions. Human behaviour is the primary means of brand reinforcement within the realm of customer service.

"Branding should be the differentiating mechanism, separating an organisation's products and services from those of its competitors" (Kumar, 2004:148). It is the brand that shapes customer experience. Customers come to a brand with a set of assumptions about that brand. The brand and the customer experience should correspond (Shaw 2005:137).

4.4.2.7 Systems

The seventh element of a total customer experience is systems. Systems are designed and managed in organisations through information technology (IT). IT enables modern organisations to integrate their supply, production and delivery processes so that operations are triggered by customer orders, not by production plans that push products and services through the value chain. An integrated system, from customer orders upstream to raw material suppliers, enables all the organisational units along the value chain to realise enormous improvements in cost, quality and response time (Kaplan & Norton, 1996:4).

Aligning business processes with IT functions will remain an elusive goal without real insight into customer experience. The quality of the customer experience must become the ultimate baseline and hence the natural departure point for an effective service-level agreement. In other words, managing infrastructure must begin by capturing and benchmarking user experience as realistically as possible. Only when customer experience is understood realistically will the organisation obtain the data it needs to map its technology investments in terms of its business objectives. This is the ultimate scorecard for prioritising everything from real-time troubleshooting to infrastructure optimisation and service planning (Drogseth, 2005:64).

4.4.2.8 People

People are the eigth important element of a total customer experience. People are one of the 7Ps of the marketing mix described in paragraph 3.2.4. People, also referred to as personnel or employees, represent the “key battleground for many organisations” (Ind, 2001:67-72). An organisation in Stockholm (Ind, 2001:67-72) defined 4Fs to steer its employees: fun, fame, fortune and future. The 4Fs were designed to influence how people behaved internally and how they interacted with customers.

Service organisations cannot compete effectively without effective service - which is performed by people. In creating value for customers, service organisations have to invest in attracting, developing, motivating and retaining quality personnel. To excel in external marketing, service organisations first have to excel at internal marketing before they can excel in external marketing (Berry & Parasuraman, 2000:1).

Finnie (2002:25-26) says that “loyalty is the acid test of leadership. It is the best way to know whether a leader is achieving financial results through the success of employees and customers or at their expense. It is through their employees that leaders are going to change the customers’ experience”.

4.4.2.9 Comparison between the elements of the marketing mix and the elements of the total customer experience

The elements of a total customer experience have been described in the paragraphs above. The elements of the marketing mix are described in paragraph 4.2.2.

Figure 4.5 below illustrates the comparison between the two lists of elements. There is a strong correlation between the elements of the customer experience and those of the marketing mix. The difference between the two lies in the more strategic and holistic approach to customer experience and more focus on looking at the interaction with the customer from the customer’s point of view which includes elements such as customer expectations, measurement and strategy.

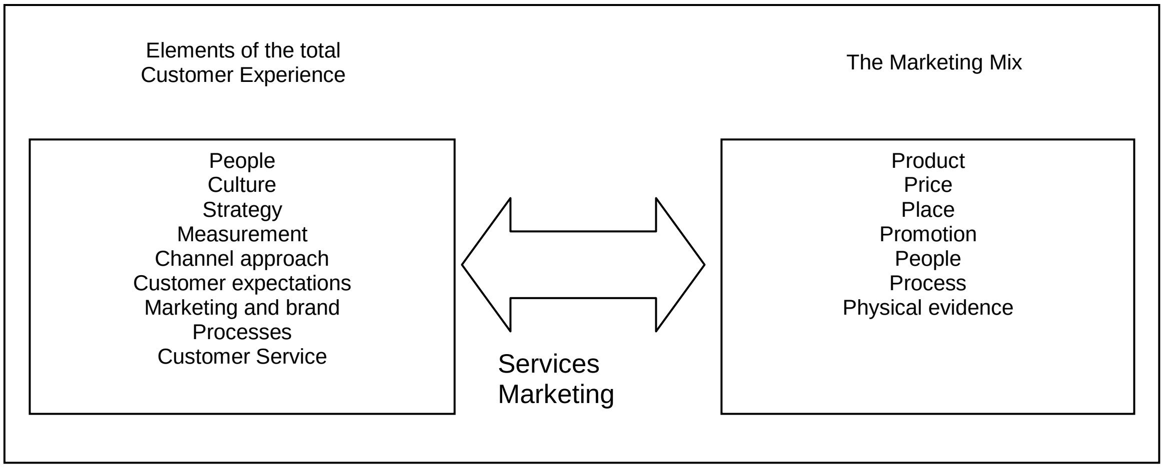


Figure 4.5: Comparison: Elements of a customer experience and the marketing mix

Source: Adapted from Shaw (2005) and Zeithaml and Bitner (2003)

The total customer experience incorporates all the elements of the marketing mix in a direct or indirect manner.

4.4.3 Time and the total customer experience

Time plays a very important role in a total customer experience. It is therefore important to look at the concept of time in order to define the total customer experience.

Perceptions of experience depend on how the experience is structured over time and reinforced afterwards. Experience is an emerging phenomenon. If it is designed for enhancement over time, it is responsible for new and constant learning, is hard to copy, and discourages switching. The experience should stay in the customer's memory. Customers have a way of building on their experiences with an organisation (Pine & Gilmore, 1999:5-6; 11-15). Key time-related elements of service design are sequence and duration. Experiences should have a sequence structure or narrative and discourse structures in a specific pattern (eg as in the theatre, the movies and musicals).

4.4.4 Barriers to improving total customer experience

Several barriers exist to improving customer experiences in organisations. Forrester Research Inc (Dorsey & Bodine, 2006:2-6) conducted a Customer Experience Peer Research Panel Survey during the last quarter of 2005. When panel members were asked what prevented them from delivering better customer experiences, 74 percent of the respondents cited difficulty in getting alignment across organisations. Defining a customer experience strategy and changing employee behaviour virtually tied for second place in the survey.

Panel members gave insight into factors that enable successful customer experiences (Dorsey & Bodine, 2006:2-6):

(i) Design-centric cultures that understand the business value of customer experience.
(ii) Business-centric design processes that align business goals with customer goals.

Design-centric cultures promote attainment of the goal of creating successful customer experiences because they (Dorsey & Bodine, 2006:2-6):

(a) view customer experience as critical to meeting business goals;
(b) share an accurate understanding of customers and their needs;
(c) align organisational strategy with customer needs;
(d) support customer experience initiatives from the top down;
(e) have common goals across the organisation.

4.5 CUSTOMER EXPERIENCE MANAGEMENT (CEM)

The importance of customer experience in an organisation gave rise to the question: How do you manage it? Well managed customer experience can lead to successful implementation of a customer experience approach, leading to differentiation and a sustainable competitive advantage as stated in the research question of the study. Customer experience management is becoming a well-known topic for studies, seminars and books. In this section the researcher describes an approach to effective organisational customer experience management.

Customer experience in world-class organisations is best defined by the people who understand what is required and what they are prepared to pay. When customers are asked to evaluate their experience, they often base their appraisal on rational measures such as price and product quality rather than providing a balanced view that puts a sensible value on attributes such as service and prestige. Hence it is difficult to define what is really required. Organisations that take customer experience to heart can make changes that have a positive effect on their DNA (Williams, 2004:7).

According to Schmitt (2003:1-4), customer experience management helps chief executive officers (CEOs) to “implement a framework to build unshakable customer-supplier relationships. It uses the advantages offered by technology to strengthen communication between the customer and supplier”. Customer experience management is a critical addition to customer relationship management (CRM). CRM tracks and records previous sales and service transactions. CEM provides the means to develop a 360º degree view of customers – looking both forwards and backwards. CEM provides an integrated approach to help build and sustain customer relationships.

A customer experience management framework developed by Kiska (2002:28-30) is shown in Figure 4.6. This framework has as the key input to the organisation customer experience feedback. This feedback is collected through customer experience research (an example is depicted in the measurement framework used in this study), complaints management and feedback from staff. This information is utilised throughout the organisation in research and development, marketing and sales, production and operations, service and support and human resources management. Combined, the solutions applied in all the areas create an extremely powerful decision making framework.

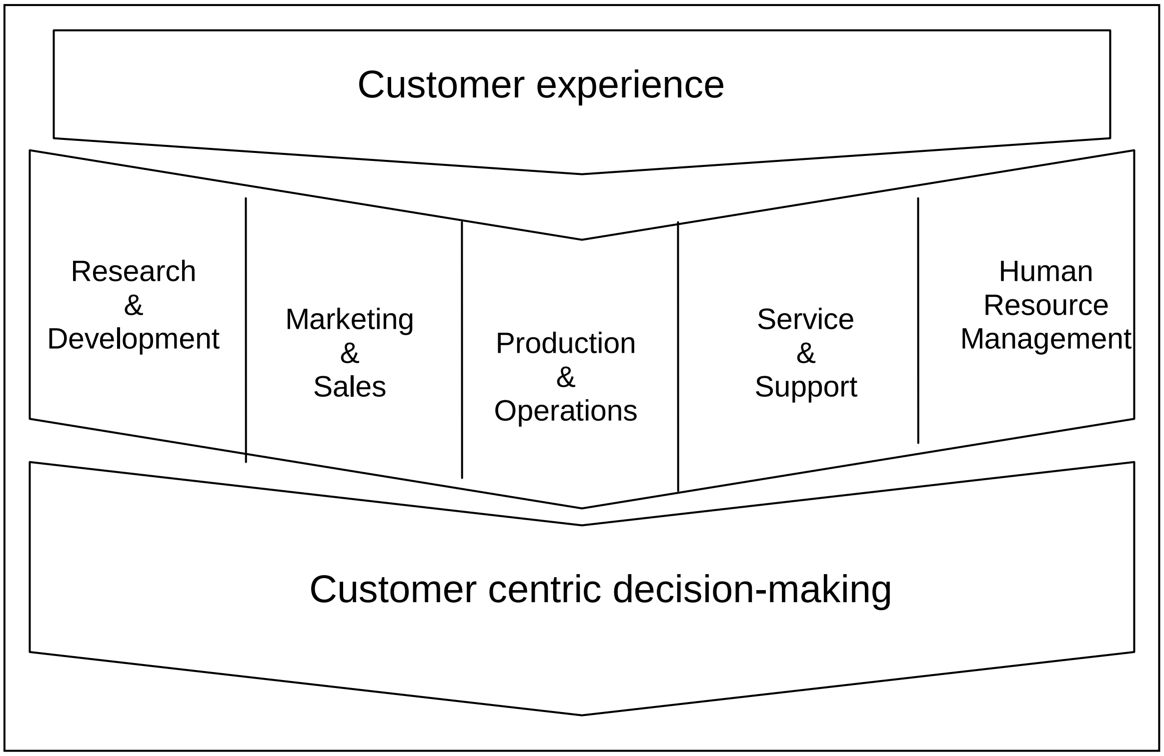


Figure 4.6: A customer experience management framework

Source: Adapted from Kiska, 2002:28

Customer experience management starts with understanding the customer through feedback. This understanding requires various steps (Schmitt, 2003:2-4).

(i) Analyse

Analysis considers the entire context of the customer, whether the customer is a consumer or a business. Define the customer, analyse the customer's experience, track each step of the experience, and note what the competition is doing.

(ii) Build the platform

The "experiential platform" is the step that leads from strategy to execution. Constructing this platform means designing a model of the experience you aspire to provide to customers and stating specifically what value the product will provide.

(iii) Design the experience

Do not leave the customer's brand experience to chance. The brand experience includes advertising, online presence, logos, signs, packaging, the retail environment and more. "Brand experience" encompasses the customer's experience of the product, experience of the "look and feel" of the product and communication.

(iv) Structure the interface

The customer has to be given the experience in the most appropriate way, whether face-to-face, at an automated kiosk or an ATM, online, or anywhere else the customer encounters the brand.

(v) Innovate continuously

Keep working to improve the customer experience in small ways as well as big ways. Innovation also attracts new customers and builds more equity with existing customers. Never stop trying, because customers are always looking for new and fresh experiences.

Sound customer-centric decisions depend on all these steps. Since customers are the single most important factor in the success or failure of an organisation, every organisation should focus on its customers (Schmitt, 2003:2-3). Schmitt (2003:2-3) also states that many organisations have failed because they concentrated on the wrong issues, namely marketing, customer satisfaction and customer relationship management and argues as follows:

- Marketing. This approach relies on collecting, disseminating and responding to information about the needs and wants of customers in the organisation's target market. Although this concept looks good on paper, it falls short in practice because it focuses on product features and benefits, and not on impressions. Nor does it cover situations where consumers consume. The marketing concept approach sees consumers as rational, and not as intuitive and emotional. It centres on the product, not the person, and it emphasises differentiation instead of relevance.

- Customer satisfaction. This approach assumes that satisfied customers are loyal customers. It puts too much emphasis on product performance and none on the feelings, emotions, associations and relationships the product inspires or implies.

  This view is supported by Vargo and Lusch (2004:6) who argue that a services dominated view rather than a product dominated view is customer centric and market driven. It is therefore orientated towards collaborating with the customer, understanding the customer and adapting to the customer's needs.

- Customer relationship management (CRM). CRM is a catch-all acronym that covers many different things. It most frequently refers to call centres and the software and data they use. The "R" in CRM stands for "relationships", but CRM is really about transactions, not relationships.

Shaw (2007:122-123) believes that CRM marked the start of customer focus as a strategic imperative and popularised the notion that the organisation should attempt to see and treat its valuable customers as individuals. In order to do so, organisations have to recognise their valuable customers and discover what they want. Unfortunately the CRM approach focused on the rational/physical expectations of customers. Customer experience began where CRM left off and expanded upon it. According to Schmitt (2003:2-4), organisations clearly needed a new way to approach markets and a fresh strategy that really addressed their customers.

Organisations need customer experience management (CEM). This marketing and customer service strategy looks at every dimension of the customer experience, starting with the product itself, but paying attention to everything else that affects the customer's disposition while he or she decides to buy or is actually buying and using a product. CEM uses a five-step programme in order to understand the customer This section illustrated through a customer experience management model and a customer experience management programme the importance of managing the concept of customer experience in organisations. The focus in organisations shifted from customer relationship management (CRM) to customer experience management (CEM).

4.6 TOTAL CUSTOMER EXPERIENCE AS DIFFERENTIATOR

Against this background of defining total customer experience as a concept, the researcher will now investigate customer experience as strategic differentiator. Product, price, service and customer experience are described as possible differentiators in retail banking. These differentiators are also elements of the total customer experience as described in paragraph 4.4.2. The researcher will show through the literature study in paragraphs 4.6.1 to 4.6.4 how product, price, service and customer experience were identified as differentiators in retail banking over time.

4.6.1 Product as differentiator

Product has been described in paragraph 4.2.4 as one of the 4Ps of the original marketing mix. The shift from a product or goods dominant logic in marketing to a services dominant logic has been described in paragraph 2.4.1. Up to the 1990s, product was considered the key differentiator in retail banking. However, the following extracts from the literature indicate that product on its own is no longer the differentiator:

(i) In one of Business Week’s awards for the best ideas of 2005, it is stated: Now the game is to create wonderful and emotional experiences for consumers around whatever is being sold. It’s the experience that counts, not the product. It is fast becoming the norm in all industries (Greenberg, 2006:1).

(ii) Product is only one dimension of a total customer experience (Schmitt, 2003:3).

(iii) Product is of prime importance in a total offering to a customer. However, the greatest product is worth nothing if it is not available, if it is not accessible, if it is not value for money. We may need to deliver the product and manage the lead time, we may need to service and maintain the product and give some thought to its environmental impact. Product becomes one of the important elements of a total customer experience (Shaw, 2005:23).

(iv) Products no longer provide banks with a sustainable competitive advantage. However, extending the range of available services through branches may improve the effectiveness of the channels (Trethowan, 1997:64).

Product still plays an integral part in retail banking services, but the differentiator should deliver a bigger customer experience.

4.6.2 Price as differentiator

Price has been described in paragraph 3.2.4 as one of the 4Ps of the original marketing mix. Regulation and legislation play a key role in retail banking in South Africa. Pricing is highly regulated and it would therefore be a challenge to differentiate on price only. Some extracts from the literature follow to support the statement that price on its own cannot be a differentiator.

(i) A study conducted by Walker Information (Thompson, 2005:2-5) found that price contributes to how customers assess the value of what they buy, but price itself does not contribute a great deal to customer loyalty. Customers can obtain similar products at similar prices from an array of local and global suppliers. According to Walker information loyalty experts interviewed in their study believe that emotion plays a much bigger role than quality and price in the decision to defect.

(ii) Increased pressure on price in commoditised markets forced organisations to focus on internal cost-cutting programmes to maintain their profitability.

However, these programmes cannot be sustained. “When you reach the point where the pain of change is less than the pain of staying where you are, you are forced to revolutionize the customer experience” (Shaw, 2005:31).

(iii) There are three critical pitfalls in using pricing as a competitive advantage (Vaglio, 2006:23).

- Companies that compete solely on price do not create barriers to exit for customers. For banks, it leads to an excess of transactional customers who may have been attracted by a special savings rate and will only stay until the next best rate comes along.

- In the service industries, discounted pricing often leads to discounted service in the customer relationship. When pricing is reduced without reducing costs, profits are also reduced.

- Pricing is less a true benefit than a perceived benefit when it is offered in the absence of long-term consultative or value-adding services. If the banker does not provide strategic financial advice to customers, these transactional customers will eventually migrate to other banks as those critical needs arise.

4.6.3 Service as differentiator

Paragraph 4.3.2 highlighted the evolution from customer service to customer experience. Customer service is an important element of the total customer experience. Zeithaml and Bitner (2003:3) define services as “deeds, processes and performance”. Customer service, as defined in paragraph 4.2.1 is “the service provided in support of an organisation’s core products” (Zeithaml & Bitner, 2003: 4). This paragraph focuses on customer service as differentiator.

The following evidence from literature studies depicts that during the 1990s, service was considered the differentiator in retail banking. It evolved to become a key element in the total customer experience, but never became a differentiator on its own.

(i) It was stated during the 1990s that adaptability to change featured in several ways in the banking industry, for example employee empowerment, process improvement and technology applications. At the time, service excellence was deemed the ultimate differentiator for future success (Kleiner, 1996:27).

(ii) Differentiation on the basis of customer service has declined, price sensitivity has increased, and a unique customer experience that goes beyond satisfaction and that creates real value for the customer is now required to regain the edge (Smith, 2001:2).

(iii) Customer satisfaction is a critical indicator of the performance of retail banks. A Financial Competition Council research report in 2004 that profiled six banks with assets in excess of $100 billion, suggested that financial service executives should consider service to customers as the most important differentiating factor (Council on Financial Competition, 2004:1-3).

(iv) Intense price competition reigns in virtually every service industry, making excellent service increasingly important. Quality service becomes more important in industries dominated by price competition because without the differentiating force of superior service, an organisation has little choice but to match competitors’ price cuts (Berry & Parasuraman, 2000:1).

4.6.3.1 Service and technology as differentiator

It is clear from the above that service on its own cannot be a differentiator. However, note that technology as an enabler has changed the service approach significantly in recent years. The role of technology in service provision is discussed in the following two paragraphs.

Curry (2004:331) states that in such a competitive sector as banking, where quality of service can be a differentiator in the marketplace, the balance between personal interaction and technologically delivered services must be right if customers are to be retained over time. Although technology saves time and money and eliminates errors, it also minimises direct customer interaction and any associated service value to be gained. The role of a banker is inevitably changing due to technological developments and the changing needs and expectations of customers. Many transactions are conducted remotely, without customer contact. This move has been described as a depersonalisation of the service delivery process. Only improved service provision, with the right mix of human input and technology, will retain customers in the longer term. Andries (2001:45) says that the only competitive advantage an organisation has is tied up in the quality of its service. Andries (2001:45) believes that modern consumers want “an experience”.

4.6.4 Describing the total customer experience as differentiator

Paragraphs 4.6.1 to 4.6.3 provided a literature discussion on product, price and service (including technology) which have all been utilised as possible differentiators in the retail banking industry over time. This paragraph depicts the total customer experience as differentiator in retail banking inclusive of product, price and service.

4.6.4.1 Introduction

According to Mascarenhas, Kesavan and Bernacchi (2006:397) traditional marketing activities focused on success in the product marketplace. The physical aspects of products and services were examined, for example quantity, quality, functionality, availability, accessibility, delivery, price and customer support. However, marketing managers have shifted the emphasis to creating value for their customers. The current trend in marketing is to create engaging and lasting experiences for customers. About 85 percent of senior business leaders who were interviewed by Shaw and Ivens (Mascarenhas, et al., 2006:397) in a recent study agreed that differentiating solely in terms of physical elements such as price, delivery and lead times, is no longer an effective business strategy. The new business differentiator is customer experience.

Mascarenhas, et al. (2006:397) also argue that the competitive battleground regarding differentiators is changing. In the 1970s the differentiator was quality or functionality, in the 1990s it was brand and price, and in the early 2000s it is service, information and delivery. The customer's emotional attachment to brand, the brand community and brand company are gaining importance.

4.6.4.2 Total customer experience as strategic differentiator

In the discussion below, the researcher attempts to illustrate through literature studies that total customer experience could be a strategic differentiator.

(i) Shaw (2005:xix) states that the traditional differentiators of product, price and quality are becoming less important every day. Differentiating in terms of price, quality and delivery is no longer a sustainable business strategy. Products and services have become too similar and, as Shaw (2005:xix) says, we suffer from "the blight of the bland". Customer experience is the next competitive battleground to provide a source of sustainable differentiation.

In the modern commoditised economy, customer experience is the only differentiator (Shaw, 2005:1-2). Product, price, people and technology are all similar. The meaningful aspects customers remember, over and above products, are the feel for and the perception of the organisation and the brand. "It is therefore the customer experience that makes you different".

(ii) Organisations compete best when they combine functional and emotional benefits in their offerings. Emotional bonds between organisations and customers are difficult for competitors to sever. A growing number of organisations are systematically applying principles and tools related to customer experience management to strengthen customer loyalty (Berry, 2002:89). Unlike many product or service enhancements, the holistic nature of these experiential designs makes them very difficult for competitors to copy (Berry, 2002:89).

(iii) Business Week's awards for the best ideas in 2005 state evidence of the growth in customer experience in a number of ways (Greenberg, 2006:1).

- The profitability and substantial revenue streams produced by the prototypical new business models such as the PC/video games marketplace are based on providing a customised "experience".

- The desire of customers to not just have personalised relationships with producers but to jointly create value with those producers is part of the experience.

- Customers seem to need a "My Experience" experience. Organisations are learning to work with this desire for control over own experiences.

(iv) "Engineering customer experiences is an important – and largely unexploited – strategy for establishing and maintaining customer preferences" (IOMA's, 2002:7).

(v) Organisations still rely on traditional differentiators such as price, product and quality to give them an edge in today's competitive market. However, the most recent business evidence says that customer experience is the next competitive battleground. Consumers undertake hundreds of transactions with businesses every month – and forget about most of them. Creating a memorable customer experience leaves a lasting impression, ensuring loyalty and therefore increasing revenue. Organisations have to look at transactions from the customer's viewpoint. Instead of looking from “the inside out, look from the outside in” (Bell, 2005:10).

(vi) Harris (2005:1-2) believes that organisations are hard-pressed to differentiate, promising comfortable and secure customer experiences. More and more financial service providers aim to deliver a “customer experience”. The winner will be the one that actually delivers it.

(vii) Thompson (2005:3) reaffirms that focusing on customer experience and value instead of product or price will be the true differentiator.

(viii) When consumers purchase a service, they experience delivery and receipt of the service. Services differ from goods because of their inherent characteristics - intangibility, inseparability, perishability and heterogeneity (Dawes & Rowley, 1998:351).

(ix) Organisations with little or no sensitivity for customer experience that focus on reducing costs to support lower prices, may actually decrease the value of their offerings. They should manage the emotional component of experience with the same rigour they bring to the management of product and service functionality (Berry, 2002:86).

(x) Commoditisation in the financial services industry necessitates differentiation from the competition. Until recently, organisations focused on innovation in terms of their products or services. However, the emphasis has recently shifted to a more holistic, total customer experience (Shaw, 2005:18-21).

(xi) Research by Shaw (2005:20) proved that differentiating in terms of physical elements is no longer a sustainable business strategy. Innovation and the competition it creates are increasing the speed of change. Innovation, competition and change have become endemic and the momentum they generate is selfperpetuating, driving commoditisation in the marketplace. Commoditisation is not necessarily a bad thing as far as customer experience is concerned. Consistent quality, shorter delivery times and good value for money enhance the customer experience (Shaw, 2005:18-21).

(xii) A sustainable total customer experience is more than just a physical experience. Customer experience is a blend of the physical, the emotional and the senses. Customers intuitively measure their experience against their expectations, how they expect to feel (Shaw, 2005:5).

(xiii) “Emotions are a major differentiator and are the most underestimated asset available to businesses today. These emotions can be used to put colour back into our grey world” (Shaw, 2005:45).

The arguments by the various writers and experts on customer experience in the literature studies above illustrate that the total customer experience which includes product, price and service can differentiate one organisation from a next, leading to a competitive advantage.

4.7 CONCLUSION

This chapter provided a journey through literature study starting with creating an understanding of services marketing and the marketing mix. It gave a context within which the customer experience as a concept was researched through a focus on definitions of customer experience, the elements of customer experience, a comparison between the marketing mix elements and the elements of a customer experience and customer experience as a differentiator.

Customer experience is a concept within the services marketing discipline that evolved over time and consists of a variety of elements, namely strategy, culture, customer expectations, processes, channel approaches, marketing and brand, systems, people, measurement and also service quality and customer service and product, price and service. It is a holistic concept that can give an organisation a competitive advantage if utilised as strategic differentiator.

To conclude: In a commoditising world, customer experience can become a major differentiator. “In the 1980s quality was the differentiator. In the 1990s brand was a differentiator. For the 2000s, the customer experience will be the differentiator” (Shaw, 2005:2).

Against the background of the environment, and the concepts defined and analysed in the previous three chapters the next chapter will provide a description of the research problem, research objectives and propositions linked to this study.

CHAPTER 5

THE RESEARCH PROBLEM, OBJECTIVES AND PROPOSITIONS

5.1 INTRODUCTION

Against the background of the environment within which this study is conducted as described in Chapter 2 and the analysis of all the key concepts relevant to the study in Chapters 3 and 4, this chapter gives a description of the research problem, the research objectives and the research propositions of the study.

5.2 PROBLEM STATEMENT

As stated in paragraph 1.2 in Chapter 1 the problem statement of this study is about obtaining and sustaining a competitive advantage in banking - and specifically in retail banking today.

According to Croxford, et al. (2006:83) banks differentiate themselves from each other through the effectiveness of their strategic decisions. Banks are continuously focusing on cost effectiveness but most of these activities are not fundamental in nature. The activities become tactics with moderate impact on the growth and performance improvement strategies. Fundamental differentiators are more powerful than tactical differentiators as they are more difficult to create and to compete against (refer to paragraph 3.3.1). Historically, retail banks have looked at product, price, size (or lack of size) and brands as possible differentiators, but most of these "strategies" are dressed up tactics. Service and customer experience are important differentiators.

This view is based on experience in European and UK based retail banks. As depicted in the retail banking trends in paragraph 2.2 in Chapter 2 the trends in global retail banking are also applicable in the South African retail banking industry. The challenge of finding the strategic differentiator in a South African retail banking context is therefore as critical.

This study on customer experience as a possible strategic differentiator in retail banking depicts the relevance of customer experience as a differentiator through literature studies and through the understanding of the customer experience by measuring it quantitatively and qualitatively.

As depicted in paragraph 4.2.2 in Chapter 4 within the services-marketing environment, the well-known 4Ps (product, price, place and promotion) have been expanded to 7Ps to include the people, process and physical evidence sides of looking at the total service offered to customers. The total customer experience includes all seven elements and more, but the 7Ps approach does not ensure a competitive advantage to organisations.

According to Zeithaml and Bitner (2003:24-25), it is important to add the people side to service delivery, for example a dress code, attitude and behaviour that influence customer decisions. Customers themselves influence service delivery in many situations, thus affecting service quality and their own satisfaction. Customers not only have an effect on their own outcomes, but can influence other customers as well. The actual delivery steps the customer experiences or the operational flow of the service that is delivered also provides evidence for judgment of the service.

Using the total customer experience as the differentiator is critical in that it takes the total customer offering into account as well as emotional and behavioural aspects of the actual experience. The experience is considered from the customer’s point of view and not only from the organisation’s point of view.

The research question, as described in paragraph 1.2 in Chapter 1 is based on the problem described above, namely: “Is customer experience a strategic differentiator in retail banking?”

To answer the research question, this study describes and analyses the concepts of strategic differentiation, customer experience and retail banking. The concept of strategic differentiation was described in Chapter 3 through defining strategy in paragraph 3.2, differentiation in paragraph 3.3 and sustainable competitive advantage in paragraph 3.3 as key components of the concept. Customer experience as differentiator is investigated from two angles.

(a) Through relevant literature studies, as done throughout Chapter 4 in describing the context of customer experience in paragraph 4.2, the evolution thereof in paragraph 4.3.2 and the definition and elements in paragraph 4.4.

(b) Through a quantitative and a qualitative measurement framework that measures customer experience holistically, as described through the measurement methodology in Chapter 6 and the results of applying the methodology in Chapter 7.

5.3 RESEARCH OBJECTIVES

In this section the researcher substantiates the primary and secondary objectives as stated in paragraph 1.3 in Chapter 1 against the background of the research problem.

5.3.1 Primary objective

The primary objective of this study, as stated in paragraph 1.3 in Chapter 1:

To investigate whether customer experience is a strategic differentiator in retail banking, leading to a sustainable competitive advantage.

The primary objective is partially substantiated through literature studies in Chapters 2, 3 and 4. The objective is further substantiated through quantitative and qualitative research

conducted. The methodology and results of the research are described in Chapters 6 and 7 to follow and will be linked to the objective in Chapter 8 for further substantiation.
Chapter 2 provided a literature study on retail banking as the contextual environment within which this study is conducted. The researcher identified an evolution in retail banking globally in paragraph 2.2.1 and in South Africa in paragraph 2.2.2 focusing on the landscape and trends in retail banking that depict the evolution that happened over centuries in this industry. It is clear from the literature study that strategic differentiation leading to a sustainable competitive advantage is of utmost importance in the retail banking industry today globally and in South Africa. The literature study also depicted the evolution of differentiation in retail banking in paragraph 2.2.4, leading to a conclusion that customer experience is currently a relevant strategic differentiator in this industry. Therefore, the content of chapter 2 substantiates, through a literature study, the primary objectives from a retail banking perspective.

Chapter 3 provided a literature study on the concepts strategy in paragraph 3.2, differentiation in paragraph 3.3 and sustainable competitive advantage in paragraph 3.4. The researcher provided through this information a foundation for the substantiation of the concepts “strategic differentiator” and “sustainable competitive advantage” as applied in the primary objective.

In the primary objective reference is made to “customer experience as strategic differentiator”. Chapter 4 provided a literature study on customer experience as a concept, substantiating the statement above through provision of the context of customer experience through a description of services marketing in paragraph 4.2; the evolution of customer experience the past three decades in paragraph 4.3.2 and defining customer experience and its elements in paragraph 4.4. Customer experience as a differentiator was described within this context in paragraph 4.6 through an investigation on product, price and service as possible differentiators and then concluding on customer experience as a differentiator that incorporates product, price and service.

5.3.2 Secondary objectives

The secondary objectives of the study, as stated in paragraph 1.3 in chapter 1, are:

(a) Investigate alternative differentiators in retail banking and show by means of literature studies that customer experience is a key strategic differentiator.

b) Determine whether customer experience in a retail banking environment can be measured qualitatively as well as quantitatively.

(c) Investigate the outcome of customer experience measurement and determine whether it adds value to the strategy and planning of a retail bank.

The literature studies and the analysis thereof as depicted in Chapters 2 and 4 substantiate secondary objective (a). In paragraph 2.4 in Chapter 2 the researcher illustrated through the evolution of differentiation in retail banking the alternative differentiators identified over time in this industry. In paragraph 4.3 in Chapter 4 customer experience as differentiator was investigated through a literature study, leading to substantiation of the fact that alternative differentiators exist in the retail banking industry and customer experience is one of the important current differentiators in the industry.

Secondary objectives (b) and (c) will be substantiated through Chapters 6 and 7 that follow.

5.4 RESEARCH PROPOSITIONS

A proposition is “something that is proposed; a suggestion; a matter to be dealt with; a problem” (Hornby, 1998:586).

The following propositions have been formulated to support the primary and secondary objectives as stated in paragraph 1.3.

Propositions 1 and 2 relate to the importance of differentiation in retail banking as stated through the evolution of differentiation in retail banking in paragraph 2.4. The researcher illustrated through literature study that the retail banking industry identified product, price, service and customer experience over time as potential differentiators in the industry. Currently customer experience is seen as a strategic differentiator in retail banking as depicted in paragraphs 2.4 and 4.6.

Proposition 1

P1: Various possible differentiators exist in retail banking, of which the key ones are product, price, service and customer experience.

Proposition 2

P2: Customer experience is a strategic differentiator in retail banking.

Propositions 3 to 5 emphasise the nature and value of customer experience as a concept. The researcher illustrated through literature study in paragraph 4.3.2 how customer experience evolved over time through a process of organisations focusing on service quality which evolved into customer service and which then evolved into customer experience. Customer experience includes service quality and customer service. The nature of customer experience as described in paragraph 4.4 depicts that it is a holistic concept which includes various elements (including the elements of the marketing mix). The elements are interrelated and interdependent and the concept is therefore of a systemic nature – customer experience is not a linear process.

Proposition 3

P3: Customer experience evolved from the concepts of customer service and service quality.

Proposition 4

P4: Customer experience is a holistic concept of a systemic nature.

Proposition 5

P5: Customer experience is the current strategic differentiator. It encompasses the previous differentiators, namely product, price and service.

Propositions 6 and 7 will be substantiated through Chapters 6 and 7.

Proposition 6

P6: Customer experience can be measured qualitatively as well as quantitatively in a retail banking environment.

Proposition 7

P7: Measuring customer experience is more than measuring satisfaction as the measurement of customer experience includes behavioural and attitudinal elements as well as customer emotion.

5.5 CONCLUSION

In this chapter the researcher substantiated the research problem, research objectives and research propositions through the literature studies depicted in Chapters 2, 3 and 4. The research question addressed through this study will lead to the identification of a strategic differentiator in retail banking that can provide a retail bank with a sustainable competitive advantage in the industry.

The next chapter will be devoted to the research methodology used to measure the customer experience quantitatively and qualitatively. The research results will be utilised to further substantiate the research objectives and propositions.

CHAPTER 6

RESEARCH DESIGN AND METHODOLOGY

When you can measure what you are talking about and express it in numbers, you know something about it

(Zikmund and Babin, 2007:208).

6.1 INTRODUCTION

The purpose of the study as stated in the primary objective in paragraphs 1.3 and 5.3.1 is to investigate whether customer experience is a strategic differentiator in retail banking, leading to a sustainable competitive advantage.

The researcher utilises a quantitative and a qualitative measurement framework in the study to depict the measurability of a total customer experience in a retail banking environment. The results of the measured customer experience can be utilised to understand differentiation, to understand its causes and how to improve on it.

In this chapter the researcher will describe the research design and methodology applied in the study to measure the total customer experience. The understanding gained through the literature review as depicted in Chapters 2, 3 and 4 plays a substantial role in the formulation of the research problem, the development of the measurement frameworks and its contents and the questionnaire development.

The study is not focused on showing the actual results that were obtained at Bank X, nor to interpret the data as such. The focus is on describing a newly developed framework that can measure total customer experience and demonstrate the validity of the framework and its value to Bank X, as retail bank, in understanding customer experience as differentiator.

6.2 BACKGROUND TO THE RESEARCH DESIGN AND METHODOLOGY

As described in Chapter 4 the measurement of service quality and customer satisfaction have been well-known research themes in the financial services and more specifically the retail banking industry since the 1980s. During the 1980s the SERVQUAL measurement approach was developed by Parasuraman (Parasuraman, et al., 1990:34). This approach measures the service quality gap by computing the difference between separate measures of customer expectations and perceptions. A service quality gap results when the service performance falls short of expectations. The SERVQUAL model reflects attributes in five service dimensions, namely tangibles (appearance of physical facilities, equipment, personnel and communication materials), reliability (ability to perform the promised service dependably and accurately), responsiveness (willingness to help customers and provide prompt service), assurance (knowledge and courtesy of employees and their ability to inspire trust and confidence) and empathy (caring, individualised attention the firm provides its customers). With the evolution of customer service towards customer experience (paragraph 4.3.2), the need arose to measure the total/holistic experience of customers.

Customer experience is a differentiator in retail banking (paragraph 4.6.4). It is therefore important to measure this experience and to determine what customers actually think when they interact with the bank. Another well-known expression is: “If you can measure it you can manage it” (Drucker, 1992). If it were possible to measure the actual customer experience it would provide valuable information on how to fix negative experiences or maintain experiences that are differentiating the specific bank from its competitors.

After identifying the potential of customer experience as a strategic differentiator, the researcher embarked on a journey with Bank X. At the time of this investigation in 2004 the literature on the topic was still limited. The researcher however embarked on a research study to understand the concept total customer experience, leading to the development of a customer experience strategy for Bank X. In time the researcher recommended that customer experience become a group specialist function that focuses on the total customer experience process. As head of this group, the researcher developed and implemented a strategy for customer experience. One of the first tasks the team had was to develop a framework to measure the total customer experience. The researcher conducted research through literature study to understand customer experience as a concept, its elements and its potential to be a differentiator in retail banking. After conducting the initial literature study the measurement frameworks were developed. The knowledge gained through the literature study was utilised to develop the quantitative measurement framework's levels and attributes per level as depicted in Figure 6.3 in this Chapter. Customer experience is measured qualitatively and quantitatively within the context of retail banking.

The researcher briefed relevant organisations and a partner was identified through a tender process. The researcher and a team developed a measurement framework in partnership to measure total customer experience. A letter from Markinor to confirm the partnership is attached as Appendix E. This framework measures total customer experience across all market segments, products and services, and all channels through which interaction takes place. The supporting back-office in terms of processes and systems had to be considered.

The researcher was directly involved and responsible for interpretation of the research results and translation of the results into action plans for the group as a whole and for the separate strategic business units of Bank X. The methodology of the quantitative measurement framework is described in this chapter.

It is clear from the definitions in paragraph 4.3 that customer experience encompasses emotions and behaviour. The researcher recommended to Bank X to measure the qualitative aspects of customer experience as well. As story telling is a powerful tool in understanding behaviour, the researcher utilised a research framework that was developed by IBM called Cynefin, which analyses stories and refers to values and archetypes as outcome themes. This qualitative research methodology and the outcomes of the research will be described in detail in this chapter.

Comprehensive research was conducted for this study through a literature study depicted in Chapters 2, 3 and 4. The knowledge gained through the research was utilised to critically evaluate the measurement frameworks' development and content as documented in this chapter.

6.3 RESEARCH DESIGN

The research design utilised in the study to design the quantitative and qualitative research to measure the total customer experience is defined in this section. The types of research designs will be explained and a comparison will be drawn between quantitative and qualitative research.

6.3.1 What is research design?

Within the context of marketing research, the research design is defined as "a master plan that specifies the methods and procedures for collecting and analysing the needed information" (Zikmund & Babin, 2007:493).

Hair, et al. (2006:63) support this view and define research design as "a master plan of the methods used to collect and analyse the data. Determining the most appropriate research design is a function of the information research objective and the specific information requirements".

Research design as defined by Tull and Hawkins (1987:26) in the late 1980s is still supporting the current view through "the specification of procedures for collecting and analysing the data necessary to help identify or react to a problem or opportunity, such that the difference between the cost of obtaining various levels of accuracy and the expected value of the information associated with each level of accuracy is maximised".

6.3.2 Types of research design

Tull and Hawkins (1987:32-33) mentioned in the late 1980s three types of research design, namely exploratory, descriptive and causal research.

(i) Exploratory research

Exploratory research is concerned with discovering the general nature of a problem and the related variables (Tull & Hawkins, 1987:32-33). Exploratory research is characterised by a high degree of flexibility. The strategy is to follow each clue or idea as far as seems profitable. Although any approach to data collection and analysis can be used, exploratory research tends to rely on secondary data, convenience or judgment samples, small-scale surveys or simple experiments, case analyses and subjective evaluation of the results.

Hair, et al. (2006:63) more recently describe exploratory research as “research that focuses on collecting either secondary or primary data and using an unstructured format or informal procedures to interpret it”.

Zikmund and Babin (2007:42) define exploratory research as research “conducted to clarify ambiguous situations or discover ideas that may be potential business opportunities”.

(ii) Descriptive research

Descriptive research focuses on the accurate description of the variables in the problem model (Tull & Hawkins, 1987:32-33). Consumer profile studies, market-potential studies, product-usage studies, attitude surveys, sales analyses, media research and price surveys are examples of descriptive research. Any source of information may be used in a descriptive study, although most studies of this nature rely heavily on secondary data sources and survey research. In descriptive research designs it is generally assumed that an adequate functional or causal model of the system under consideration exists or has at least been suggested.

Supporting the earlier definition, descriptive research is described by Hair, et al. (2006:63) as “research that uses a set of scientific methods and procedures to collect raw data and create data structures that describe the existing characteristics of a defined target population or market structure”.

Zikmund and Babin (2007:42) define descriptive research as determining “descriptive characteristics of objects, people, groups, organisations or environments. Descriptive research tries to ‘paint a picture’ of a given situation”.

(iii) Causal research

Causal research designs attempt to specify the nature of the functional relationship between two or more variables in the problem model (Tull & Hawkins, 1987:32-33). For example, studies on the effectiveness of advertising generally try to discover the extent to which advertising causes sales or attitude changes. The assumption underlying causal research is that some variables cause or affect the values of other variables.

Hair, et al. (2006:64) describe causal research as “research designed to collect raw data and create data structures and information that will allow the researcher to model cause-and-effect relationships between two or more market (or decision) variables”.

A combination of an exploratory and a causal research design was applied to this study. In both the quantitative and qualitative research methodologies for this study the purpose was to discover the general nature of the problem, related variables and relationships between the variables - cause and effect. In view of the systemic nature of the total or holistic customer experience (paragraph 4.6.4.2), the causal research design is applicable.

6.3.3 Quantitative versus qualitative research methods

Quantitative and qualitative research methods differ vastly in terms of approach, but there is no single agreed on set of factors that distinguish the two designs as being mutually exclusive (Hair, et al., 2006:171).

The key differences between the quantitative and qualitative methods as stated by Hair, et al. (2006:172) are depicted in Table 6.1 below.

Table 6.1: Differences between quantitative and qualitative research methods

Factor or characteristic	Quantitative methods	Qualitative methods
Research goal or objective	Validation of facts, estimates, relationships, predictions	Discovery and identification of new ideas, thoughts and feelings. Preliminary insights on and understanding of ideas and objects.
Type of research	Descriptive and causal designs	Normally exploratory design
Type of questions	Mostly structured	Open-ended, semistructured, unstructured, deep probing
Time of execution	Usually significantly longer time frames	Relatively short time frames
Representativeness	Large samples, normally good representation of target population	Small samples, limited to the sampled respondents
Type of analyses	Statistical, descriptive, causal predictions and relationships	Debriefing, subjective, content, interpretive, semiotic, analyses
Researcher skills	Scientific, statistical procedure and translation skills, some	Interpersonal communication, observations, interpretive skills

Factor or characteristic	Quantitative methods	Qualitative methods
	subjective interpretive skills	
Generalisability of results	Usually very good, inferences about facts, estimates of relationships	Very limited, only preliminary insights and understanding

Source: Adapted from Hair, et al., 2006:172

It is clear from Table 6.1 above that quantitative research problems typically are specific and well defined and the researcher and decision-maker have agreed on the information needs. Qualitative research methods are more directly related to descriptive and causal research designs but can be associated with exploratory designs as well.

In this study both quantitative and qualitative methods will be applied and the combination of these two methods may lead to a richer and more comprehensive research result.

6.4 RESEARCH METHODOLOGY

Against the background of the differences between quantitative and qualitative research methods, the methodology applied in the study is now described.

A quantitative as well as a qualitative research methodology is used to measure customer experience for this study. Paragraph 6.4.1 focuses on the quantitative research methodology, using a newly developed measurement framework. Paragraph 6.4.2 focuses on the qualitative research methodology and uses the Cynefin framework developed by IBM for this purpose.

Figure 6.1 illustrates the flow of the research methodology linked to this study.

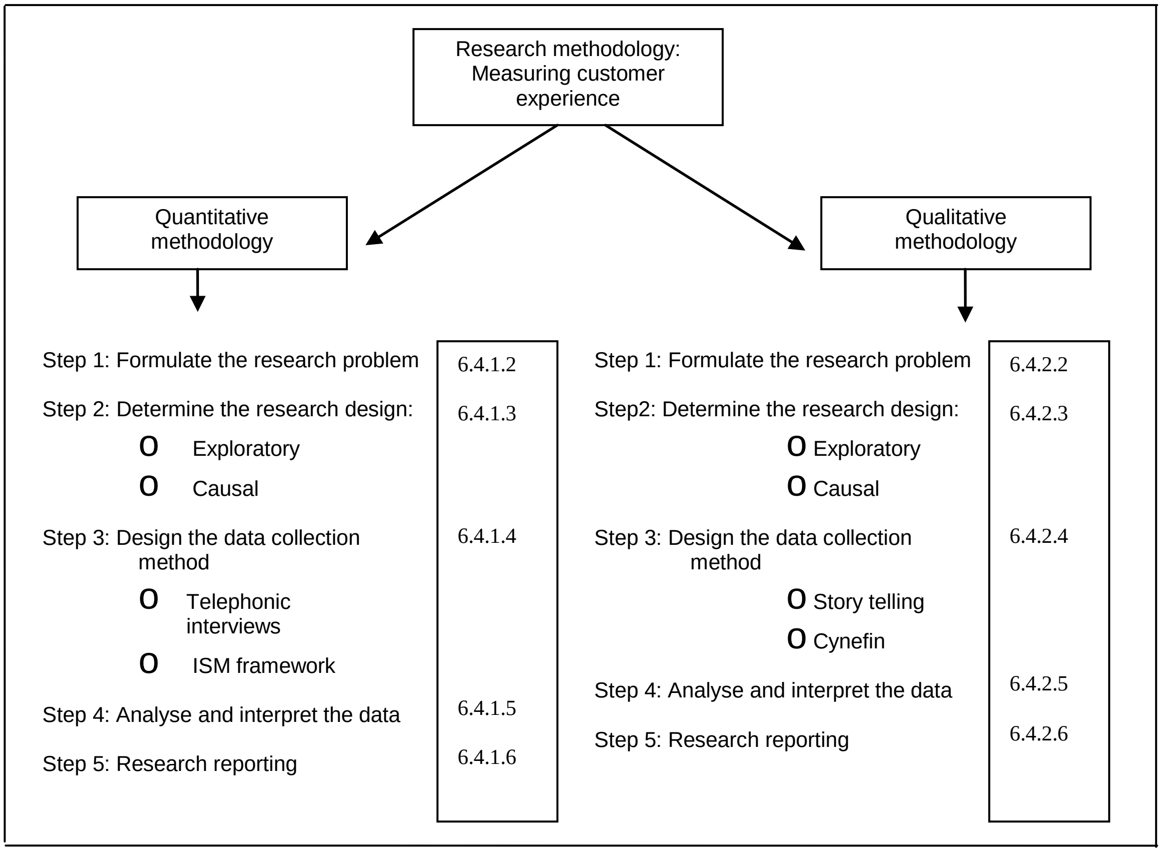


Figure 6.1: Research methodology

Source: Adapted from Churchill, 2005:40-42

As described in paragraph 1.8 and illustrated in Figure 6.1 above, the research process followed by the researcher comprised the following steps (Churchill, 2005:40-42):

(i) Formulate the problem.
(ii) Determine the research design.
(iii) Design the data collection method and forms.
(iv) Analyse and interpret the data.
(v) Prepare the research report.

An exploratory and causal type of research approach will be followed. According to Churchill (2005:74), “the major emphasis in exploratory research is on the discovery of ideas and insights”, in this case total customer experience at Bank X.

6.4.1 Quantitative research methodology

With reference to Figure 6.1 above and the five steps by Churchill (2005:40-42), the qualitative research methodology applied in this study will now be defined and described.

6.4.1.1 Defining quantitative research

Hair, et al. (2006:171) define quantitative research as "research that places heavy emphasis on using formalised standard questions and predetermined response options in questionnaires or surveys administered to large numbers of respondents".

Zikmund and Babin (2007:83) define quantitative research as "research that addresses research objectives through empirical assessments that involve numerical measurement and analysis".

Quantitative research is also defined as "a formal, objective and systematic process in which numerical data are utilised to obtain information about the world" (Burns & Grove in Cormack, 1991:140).

From the three definitions of qualitative research above it is clear that this method is formal and structured, utilising concrete data, leading to a specific, measurable result.

6.4.1.2 Step 1: The quantitative research methodology applied

The researcher conducted a literature study to understand the concept of total customer experience and all its elements. This information obtained served as input to the development of the measurement framework. The researcher presented a proposal to the executive management of Bank X, suggesting that the bank measure customer experience across all interaction points, namely branches, telephone, internet, ATM and face-to-face. The outcome would be an overall group scorecard as depicted in Appendix D, showing the state of customer experience in the group, as well as scorecards for each business unit across products, segments and channels. To maintain objectivity, an outside partner was identified to conduct interviews with customers. The researcher worked closely with the research partner in formulating the questionnaires of which examples are attached as Appendices B and C, research methodologies and identifying the most appropriate sample size and group.

The researcher, a team from Bank X and a research partner called Markinor developed the methodology. In order to measure the total customer experience quantitatively, the researcher formulated the objectives as depicted in paragraph 6.4.1.3 below for the measurement framework, conducted a pilot study for one quarter (3 months) and developed the actual framework within the context of the steps of a research process (described in paragraph 6.3 above and illustrated in Figure 6.1). The results of the measurement framework appear in paragraph 7.2 in Chapter 7.

6.4.1.3 Step 2: The research design

The research method for the quantitative measurement of the customer experience supports the achievement of one of the secondary objectives (paragraph 5.3.2) of the study, namely to determine whether customer experience in a retail banking environment can be measured qualitatively as well as quantitatively.

The research method developed for the quantitative measurement framework was initiated by a set of objectives to be achieved through the development of the measurement framework. The objectives are:

(i) Using information as a management tool for an integrated view of the complete customer experience.

(ii) Creating accountability for customer experience.

(iii) Creating an objective measurement instrument that adds value and measures the end-to-end process impact on service.

(iv) Providing streamline visibility and easy feedback.

(v) Managing customer loyalty continuously.

(vi) Developing insights into continuous data.

6.4.1.4 Step 3: Data collection method and forms

In this study data mining was used as the initial data collection method to identify the customer information utilised in the data collection.

Analysing large databases is known as “data mining”. Data mining is defined as “the use of powerful computers to dig through volumes of data to discover patterns about an organisation’s customers and products” (Zikmund & Babin, 2007:112). Organisations hope this will allow them to boost profits because they understand their customers better. All current and historical data are stored in a data warehouse (Churchill, 2005:32).

Tull and Hawkins (1987:31) list three basic data-collection approaches in marketing research, namely secondary data, survey data and experimental data. Survey data was used as the data-collection approach for this study.

Tull and Hawkins (1987:32) describe survey data as the “systematic collection of information directly from respondents”. The data are collected through telephone interviews, multi-interviews, personal interviews or computer interviews. Telephone interviews were used as a data-collection method for this study.

Hair, et al. (2006:66) propose two fundamental approaches to gathering data. One is to have interviewers ask questions about variables and market phenomena or to use selfcompletion questionnaires. The other is to observe individuals or market phenomena. Self-administered surveys, personal interviews, computer simulations, telephone interviews and focus-group discussions are all data-collecting tools.

In this research computer assisted telephone interviews (CATI) were used. The reason for choosing this data-collecting tool was that it was used to obtain customer experience information and by talking to the customers, the experiences could be explained and collected more effectively than through completion of paper based surveys.

Zikmund and Babin (2007:139-142) state that telephone interviews have for several decades been the mainstay of commercial survey research. The quality of the data obtained by telephone is comparable to the quality of the data collected during personal interviews. Telephone respondents are more willing to provide detailed and reliable information on a variety of topics than respondents engaged in personal interviews. Moreover, telephone interviews have distinctive characteristics that set them apart from other survey techniques (Zikmund & Babin, 2007:139-142).

(i) Speed of data collection

While data collection with mail or personal interviews can take several weeks, hundreds of telephone interviews can be conducted overnight.

(ii) Cost of telephonic interviews

As the cost of personal interviews continues to increase, telephonic interviews are becoming relatively inexpensive.

(iii) Absence of face-to-face contact

Telephone interviews are more impersonal than face-to-face interviews.

(iv) Cooperation

In the last few decades telephone response rates have fallen due to new technology such as answering machines and caller ID.

(v) Incentives to respond

Respondents should receive an incentive when responding to telephone interviews.

(vi) Representative samples

Practical difficulties complicate obtaining representative samples based on listings in telephone directories.

(vii) Callbacks

Telephone callbacks are much easier to make than callbacks in personal interviews.

(viii) Limited duration

Respondents who run out of patience with the interview can hang up. To encourage participation, interviews should be relatively short.

(ix) Lack of visual medium.

Because visual aids cannot be used in telephonic interviews this method is not appropriate for packaging research.

Figure 6.2 below illustrates the process flow and the way data was obtained, shared and interpreted in the quantitative research.

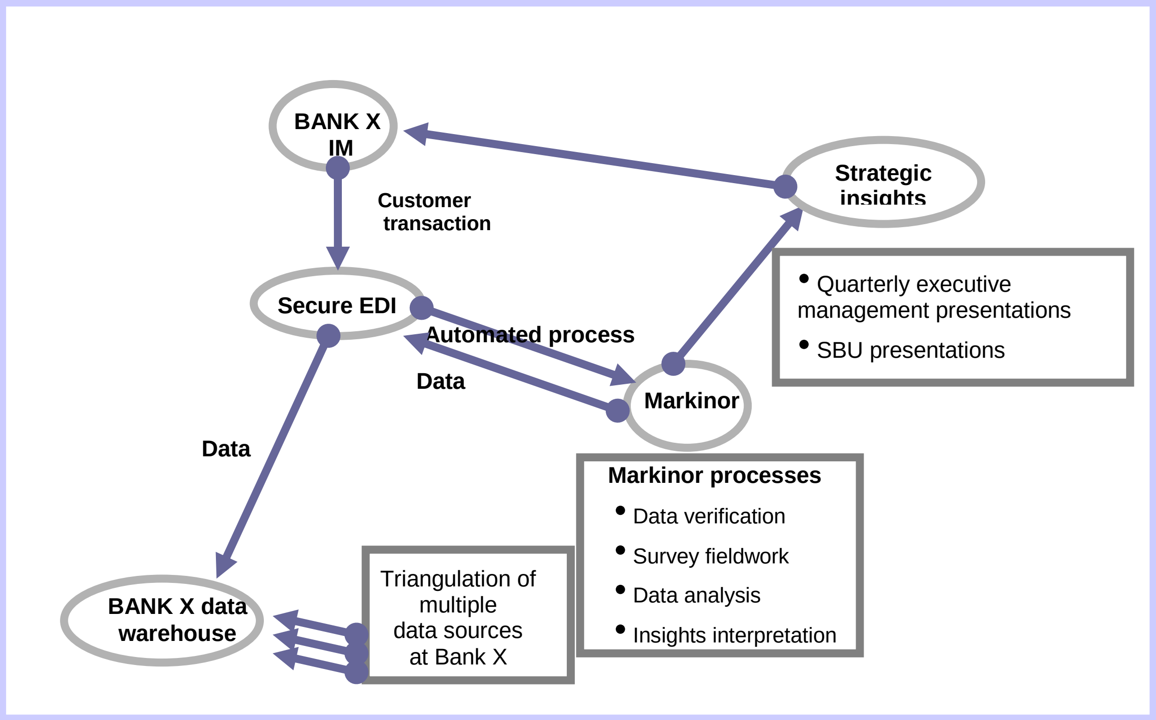


Figure 6.2*: The data collection and analysis process*
Source: Adapted from Markinor (2004)

Constant information flow was established between Bank X's information management department, its data warehouse and Markinor who was the research partner. The information received from Markinor after the interviews was interpreted and handed to the relevant strategic business units in Bank X. Figure 6.2 indicates that Bank X receives data on all customer transactions in the information management (IM) department. The data was stored in a secure EDI (Electronic Data inventory) environment. From the EDI data was supplied to the data warehouse of Bank X and to Markinor (the partner in the research process). After analysing the data, Markinor sent it back to the secure EDI for storage.

a) Sampling and data collection

Hair, et al. (2006:308) define sampling as the "selection of a small number of elements from a larger defined target group of elements and expecting that the information gathered from the small group will allow judgements to be made about the larger group".

Tull and Hawkins (1987:826) defined a sample in the 1980s as "those individuals chosen from the population of interest as the subjects in an experiment or to be the respondents to a survey". These definitions are still relevant today.

It is evident from the two definitions above that sampling is a critical step in data collection as the specific population is identified through sampling and utilised throughout the process.

According to Zikmund and Babin (2007:273) several alternative ways to take a sample are available. The main categories are probability and nonprobability sampling. Probability sampling is "a technique in which every member of the population has a known nonzero probability of selection" (Zikmund & Babin, 2007:273). Nonprobability sampling is "a technique in which units of sample are selected on a basis of personal judgement or convenience; the probability of any particular member of the population being chosen is unknown" (Zikmund & Babin, 2007:273).

In Bank X nonprobability sampling was used to identify the customers to be interviewed monthly. In view of the size of Bank X's customer base of eight million at the time of developing the measurement framework, a realistic sample size was deemed 19 000 interviews per month across segments, products and delivery channels. As described in paragraph 1.7.1 the sample of 19 000 per month represented three percent of the total customer base per annum which was viewed as an adequate sample size.

The interviews were computer assisted telephone interviews (CATI) and the duration of each interview was 10 minutes. Nineteen thousand customers were selected randomly from a database of customers that had interacted with Bank X during the previous two weeks. These names were drawn from the data warehouse and sorted into customers who had interacted with the bank in connection with a segment-related matter (for example a mass market customer with a service query) or a product-related matter (for example an interaction to obtain a new credit card) or a delivery channel-related matter (for example withdrawing money through the ATM channel). Each segment was weighted according to size, and each product and channel according to volume. For example, in terms of segments, 350 customers from the high nettworth segment, 5 000 from the middle market segment, 6 000 from the mass market segment and 500 from the business segment. In terms of product 200 customers who interacted related to a home loan, 200 related to a credit card. And in terms of segment 2 000 customers interacted through branches, 1 500 through ATM interaction, 500 through internet interaction and 500 through telephone interaction. This information determined which 19 000 customers were contacted during a specific month. The weightings were determined with respect to the size of the segment, the product base and the channel volumes used. The strategic importance of each segment, product or channel was also taken into account.

Hair, et al. (2006:429) define a questionnaire as “a formalised framework consisting of a set of questions and scales designed to generate primary raw data”. Zikmund and Babin (2007:230) argue that questionnaires need to be relevant and accurate. A questionnaire is relevant to the extent that all the information it collects addresses a research question that will help the decision maker to address a marketing problem. This information has to be accurate, in other words reliable and valid.

Bank X consists of strategic business units that focus on products, i.e. home loans or credit cards; segments, i.e. small business or mass market; and delivery channels, i.e. branches, Internet or ATMs. Different questionnaires were developed for each product, segment and channel area of Bank X. Generic questions were asked during each interview, followed by specific questions related to the type of interaction the customer had (eg bought a product, concluded a transaction through a specific channel, and the segment to which the customer belonged). The content of the questions was developed by utilising the knowledge gained through the initial literature study in combination with the business knowledge of management teams of the strategic business units. Appendix B to this study presents an example of the questions posed to customers who interacted with the branch as channel. The questionnaire in Appendix B therefore consists of generic questions on the interaction the customer had with Bank X as well as specific questions related to the branch structure as a delivery channel within the bank. The questions were asked during the telephonic interview as specified in the questionnaire and the interviewer was prompted which questions to ask which relevant interviewee.

The data collected through CATI as described above was the input into the analysis and interpretation of data through the measurement framework as described in the next section.

6.4.1.5 Step 4: The customer experience measurement framework

Within the context of the research methodology described in paragraph 6.4, a measurement framework was developed by a team from Bank X under the leadership of the researcher and Markinor as research partner. This framework corresponds to step four of the research methodology process as depicted in Figure 6.1, namely to analyse and interpret the data.

The operating model of Bank X is based on product, segment and delivery channels, with support functions across the three dimensions of the business. The measurement framework was constructed to include the delivery channels dimension (multichannel service touch points), the customer segment dimension (multicustomer dimension across retail mass market, middle market and affluent market segments, business banking segments and corporate banking segments), the product interaction dimension (multiproduct service scenarios) and a back-office support dimension (multi-operational back-office chains).

An integrated service measurement (ISM) framework was developed to measure the total customer experience as defined in paragraph 4.4.2. To align customer experience being defined as more than customer service, but including service, the basic service needs of customers were included in the framework. Customer experience is also defined as including the emotions and behaviour of customers and therefore the framework includes a measurement on an attitudinal and on a behavioural level as well as loyalty of customers towards Bank X. The ISM framework is illustrated in Figure 6.3 below.

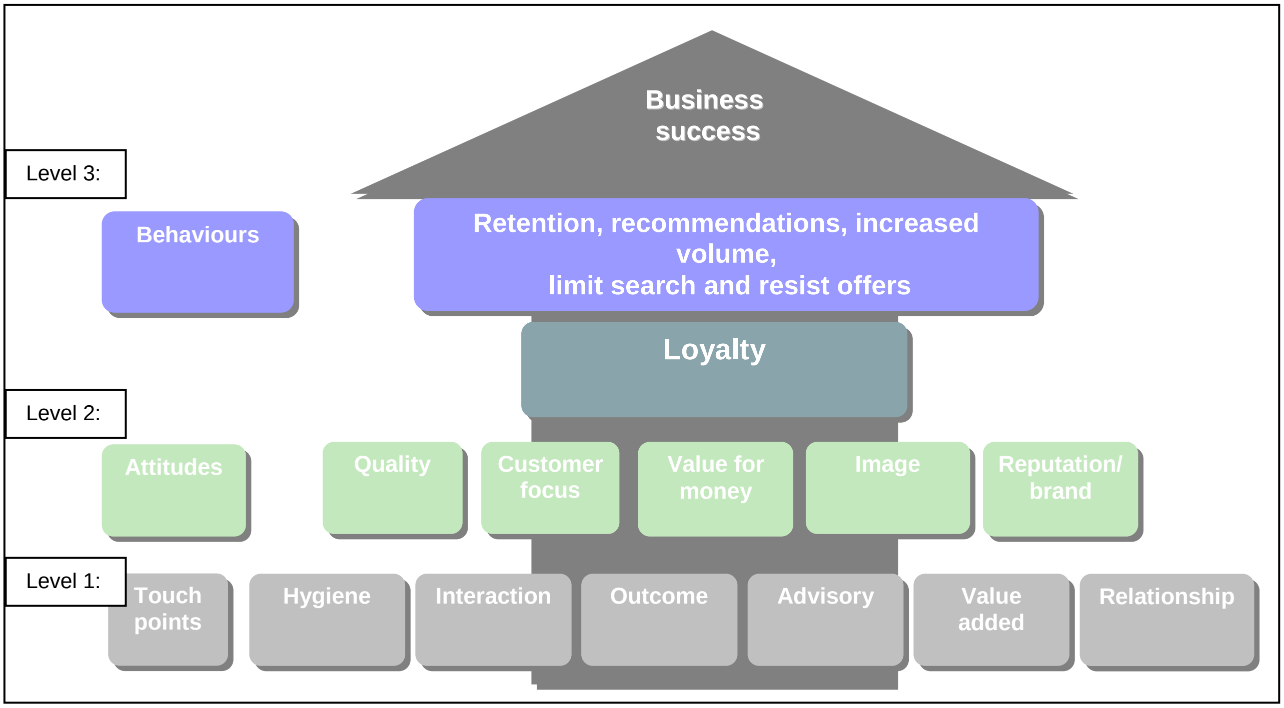


Figure 6.3: The ISM framework

Source: Markinor (2004). Copyright: Walker Information.

The ISM framework was populated with all the research findings acquired through questionnaires. The findings were categorised as information for the entire Bank X or for a particular segment, product or channel related business unit. A five-point Likert scale was used for the framework due to the fact that a Likert scale is the only summated rating scale that uses a set of agreement/disagreement scale descriptors and it collects only cognitive-based or specific behavioural beliefs (Hair, et al., 2006:393). Every element was measured through a set of questions, for example:

BANK X really **cares** about its customers:

- Strongly agree = 1
- Agree = 2
- Neither agree nor disagree = 3
- Disagree = 4
- Strongly disagree = 5

An example of a questionnaire containing more questions similar to the example above is included in Appendix B, as well as a set of questions aimed at the attitudinal level of the ISM framework which is included in Appendix C.

Figure 6.3 illustrates the customer experience, the interaction with Bank X at a touch point level (level 1), the attitudes of the customers (level 2), and the behaviour derived from the interaction (level 3). Figure 6.3 further illustrates the integrated service measurement (ISM) framework including the three levels and a loyalty model which will be described in points 1 to 4 below. Customer loyalty is an important component of understanding the total customer experience as described in paragraph 4.4.

Each of the levels in the ISM framework as depicted in Figure 6.3 will now be described in more detail.

In Figure 6.4 level 1 of the ISM framework is highlighted. This is the touch point or service needs level, consisting of six attributes.

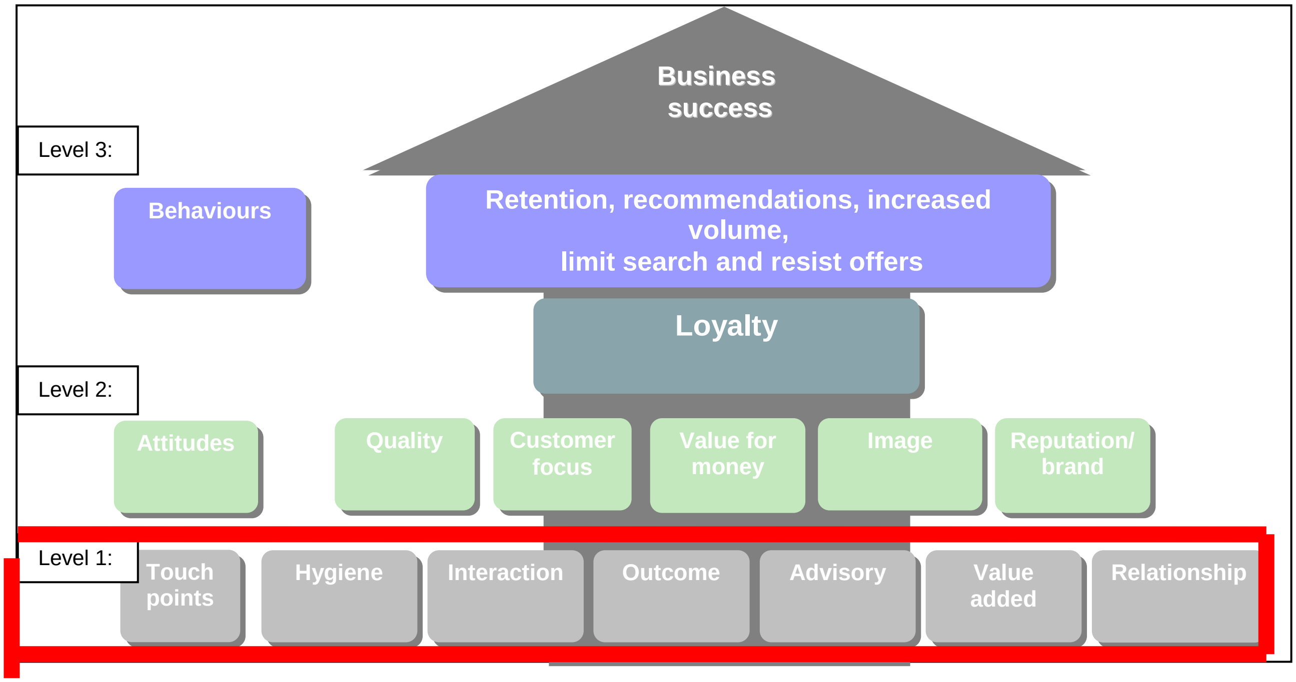


Figure 6.4: The ISM framework – level 1

Source: Markinor. Copyright: Walker Information

Level 1 (as highlighted in Figure 6.4)**: Service needs**. This level describes the interaction between the customer and the bank (i.e. the touch point). It represents the entire customer experience during interaction, fulfilling all service needs as described in the elements of the total customer experience in paragraph 4.4.2. In customer-measurement terms, the touch point may be summarised in terms of attributes to provide the most comprehensive definition of the interaction (eg look and feel, timeliness, outcome [accuracy and speed], professionalism, communication [understanding, language, clarity during interaction]). The attributes of service needs measured on level 1 are described in Figure 6.5.

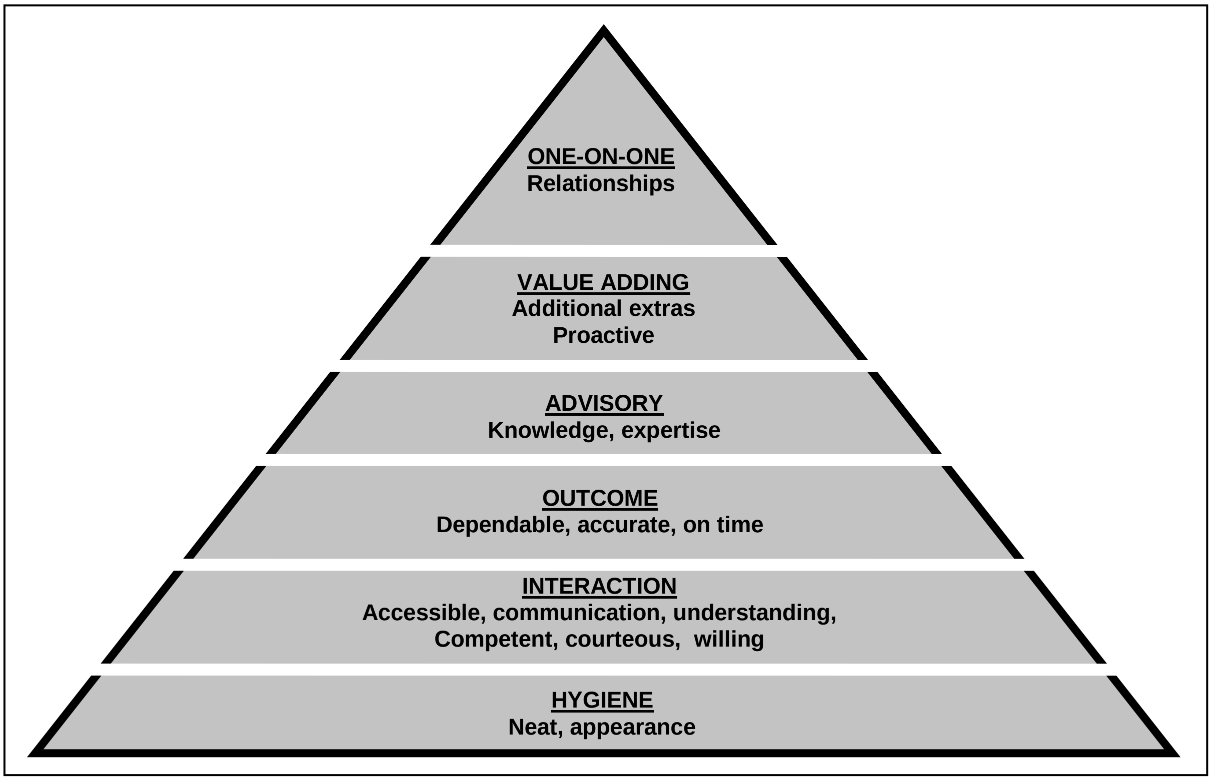


Figure 6.5: Service needs
Source: Markinor (2004)

Figure 6.5 indicates that the service needs are prioritised on a hierarchical scale from hygiene needs forming the foundation to the need for a one-on-one relationship. This hierarchy of needs is supported through the evolution of service quality and customer service in paragraphs 4.3.2.1 and 4.3.2.2 in Chapter 4.

In Figure 6.6 the second level of the ISM framework is highlighted, indicating that this level is about the attitudes of customers and the five attributes of this level.

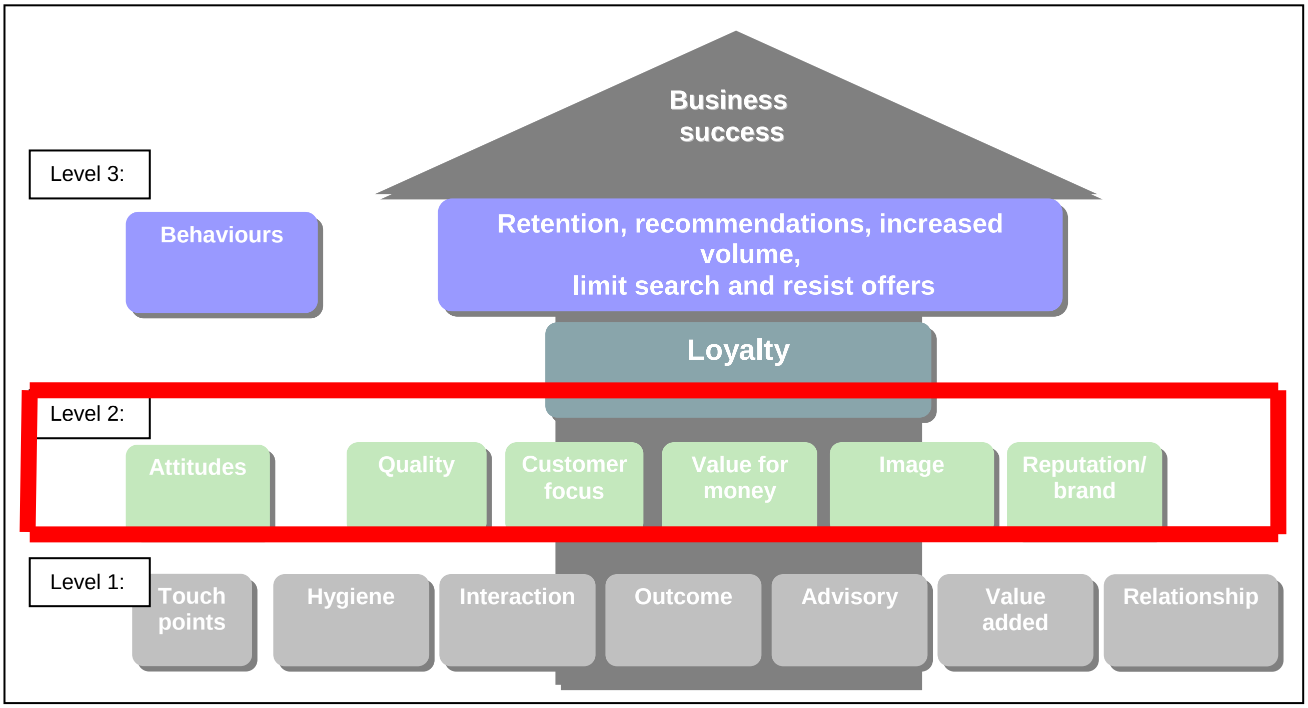


Figure 6.6: The ISM framework – level 2

Source: Markinor (2004). Copyright: Walker Information.

Level 2: (as highlighted in Figure 6.6) **Attitudes** as emotional and intellectual dispositions caused by customer experience during interaction to meet service needs. These are the "feelings" customers have that will in turn affect their behaviour towards the service provider. Elements of the attitudinal level are quality of the organisation, customer focus, reputation and brand. Figure 6.7 contains the definitions of the attitudinal factors.

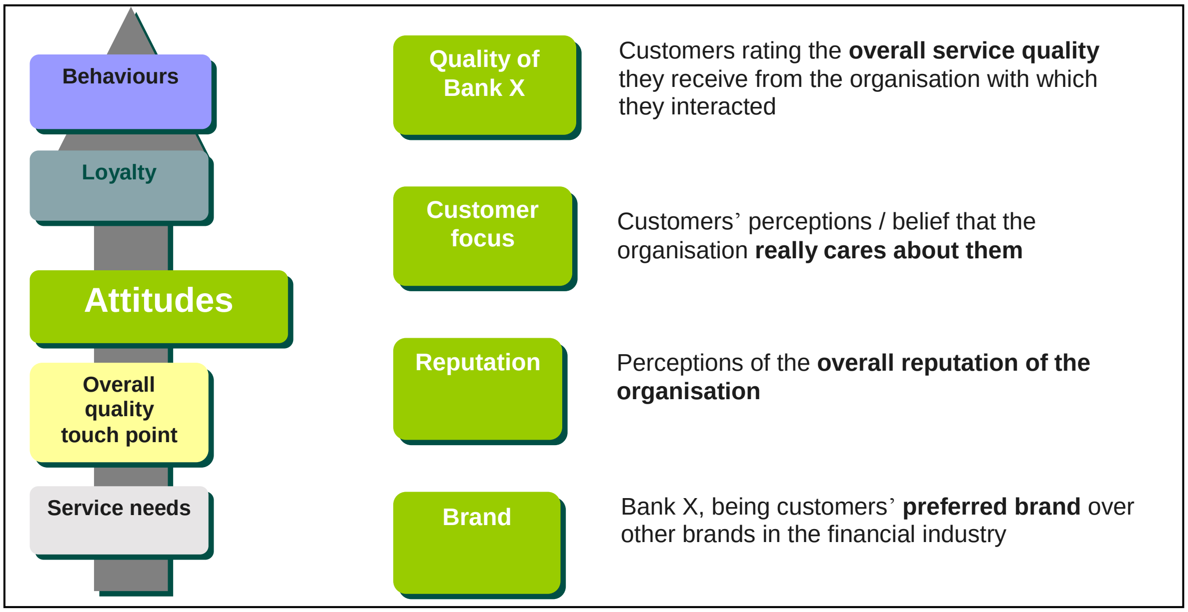


Figure 6.7: Definitions of attitudes in the ISM framework
Source: Markinor (2004)

In Figure 6.7 it is clear that the attitudes of customers are determined by the overall service quality of Bank X, the fact that the organisation cares about customers, the reputation of the organisation and its brand positioning.

In Figure 6.8 the third level of the ISM framework is highlighted, indicating the behaviour of customers and the attributes of this level.

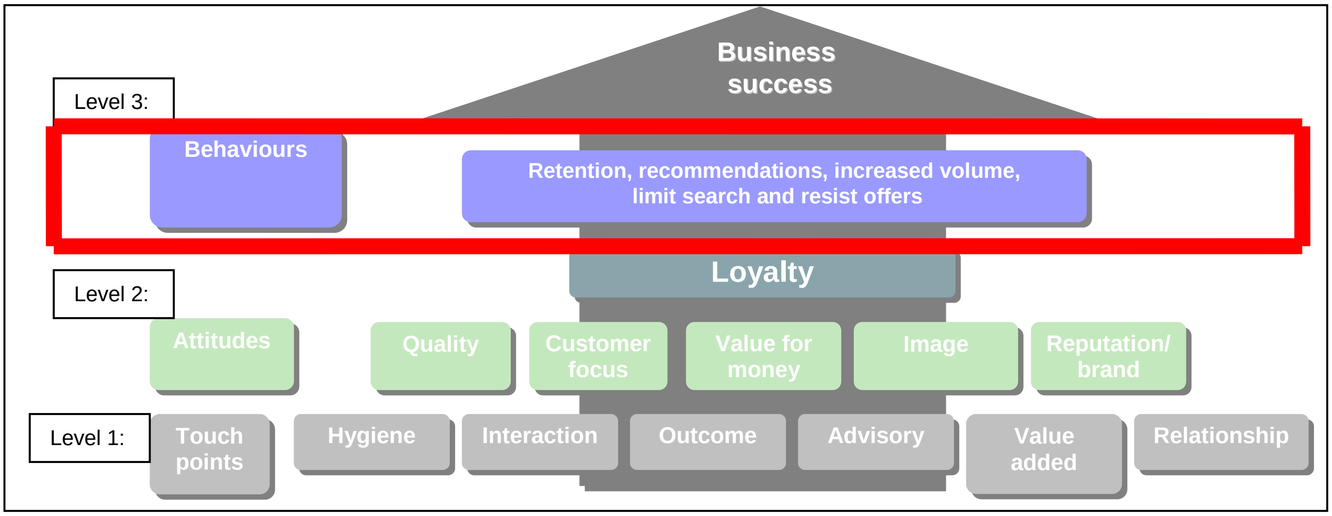
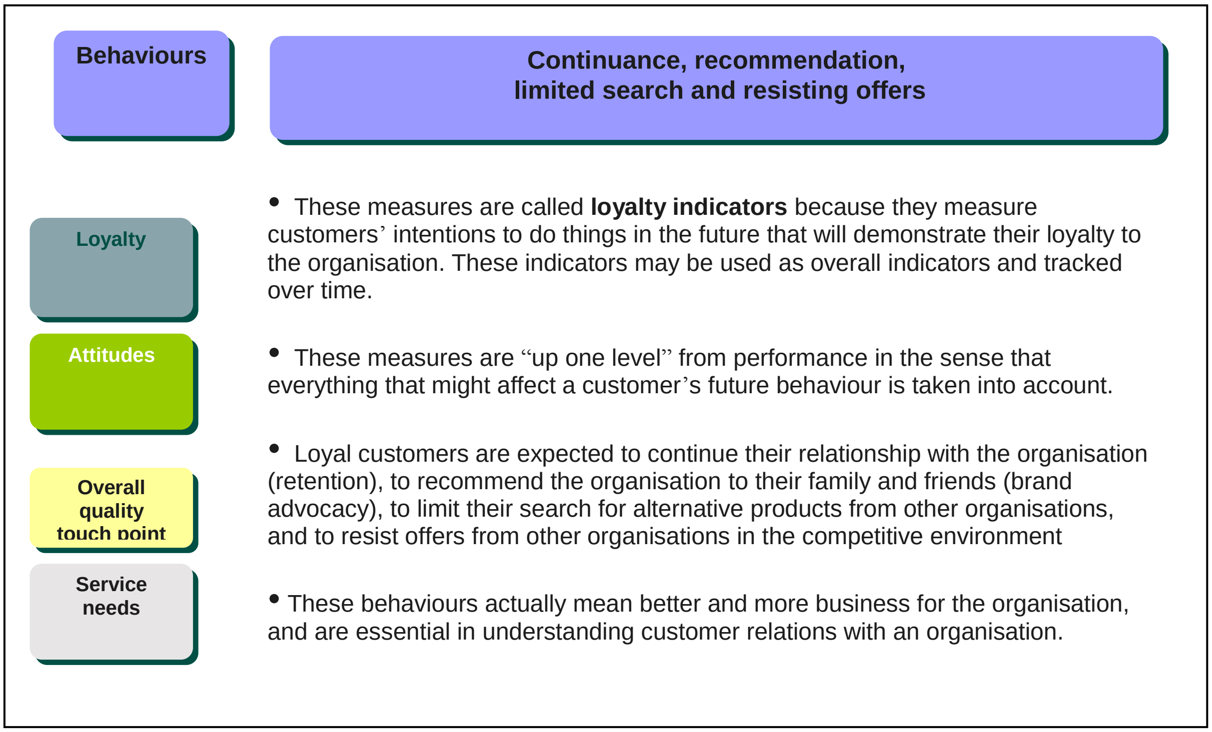


Figure 6.8: The ISM framework – level 3

Source: Markinor (2004). Copyright: Walker Information.

Level 3 (as highlighted in Figure 6.8)**: Behaviours**. These are intended actions that will make money for the service provider. Behaviours are initiated in response to and caused by customer attitudes. Figure 6.9 provides definitions of the elements of the behavioural level.



- These measures are called **loyalty indicators** because they measure customers' intentions to do things in the future that will demonstrate their loyalty to the organisation. These indicators may be used as overall indicators and tracked over time.
- These measures are "up one level" from performance in the sense that everything that might affect a customer's future behaviour is taken into account.
- Loyal customers are expected to continue their relationship with the organisation (retention), to recommend the organisation to their family and friends (brand advocacy), to limit their search for alternative products from other organisations, and to resist offers from other organisations in the competitive environment
- These behaviours actually mean better and more business for the organisation, and are essential in understanding customer relations with an organisation.

Figure 6.9: Definitions of behaviours in the ISM framework
Source: Markinor (2004)

Figure 6.9 describes the behaviour of customers in terms of their loyalty towards the organisation.

This section described the different levels of measurement in the ISM framework with descriptions of all the attributes on each level. The next section gives a description of the loyalty model which is included in the ISM framework.

The loyalty model

A loyalty model was included in the framework (highlighted in Figure 6.10) as an integral part of the interpretation and analysis of the research data. The loyalty model is illustrated in Figure 6.11.

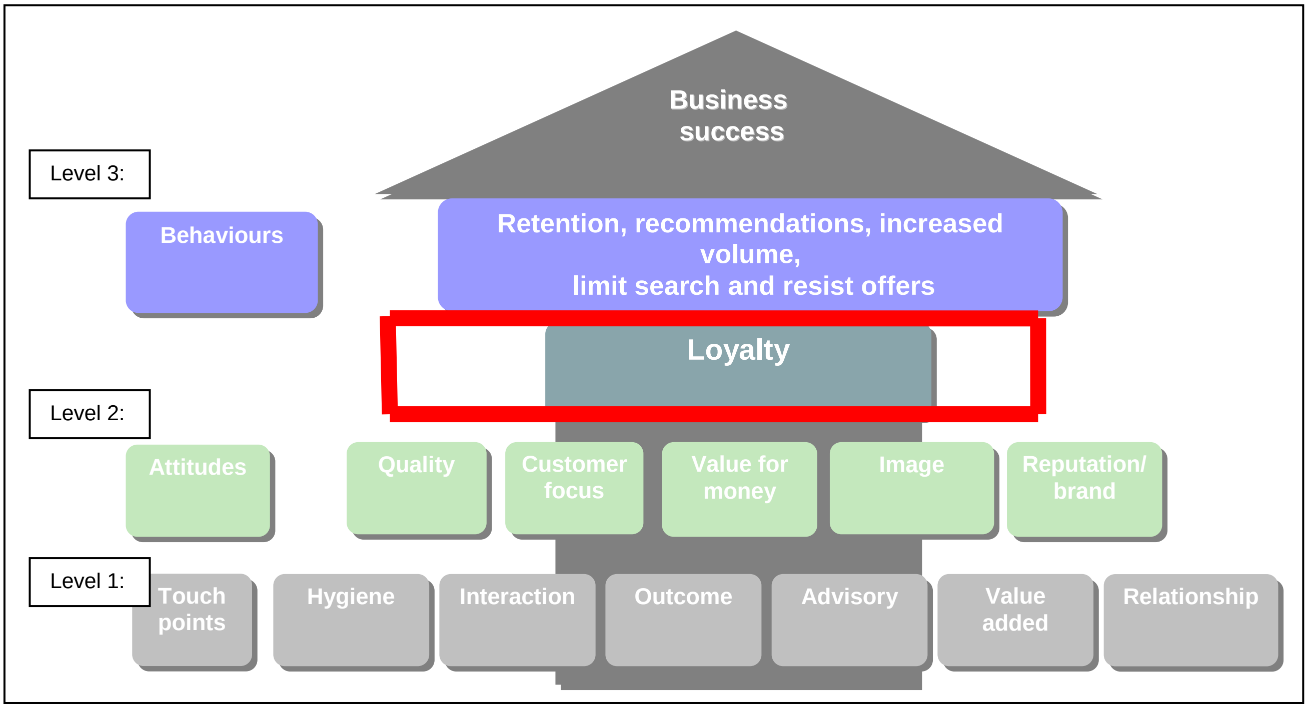


Figure 6.10: The ISM framework – loyalty model

Source: Markinor (2004). Copyright: Walker Information

A loyalty model derives from interpreting the information on the attitudinal and the behavioural levels. The loyalty model is a proprietary tool of the Walker Information Global Network.

The dimensions of the loyalty model are customers either feeling trapped, becoming a high risk for the organisation, being accessible to other organisations, or being truly loyal to their current organisation as indicated in Figure 6.11.

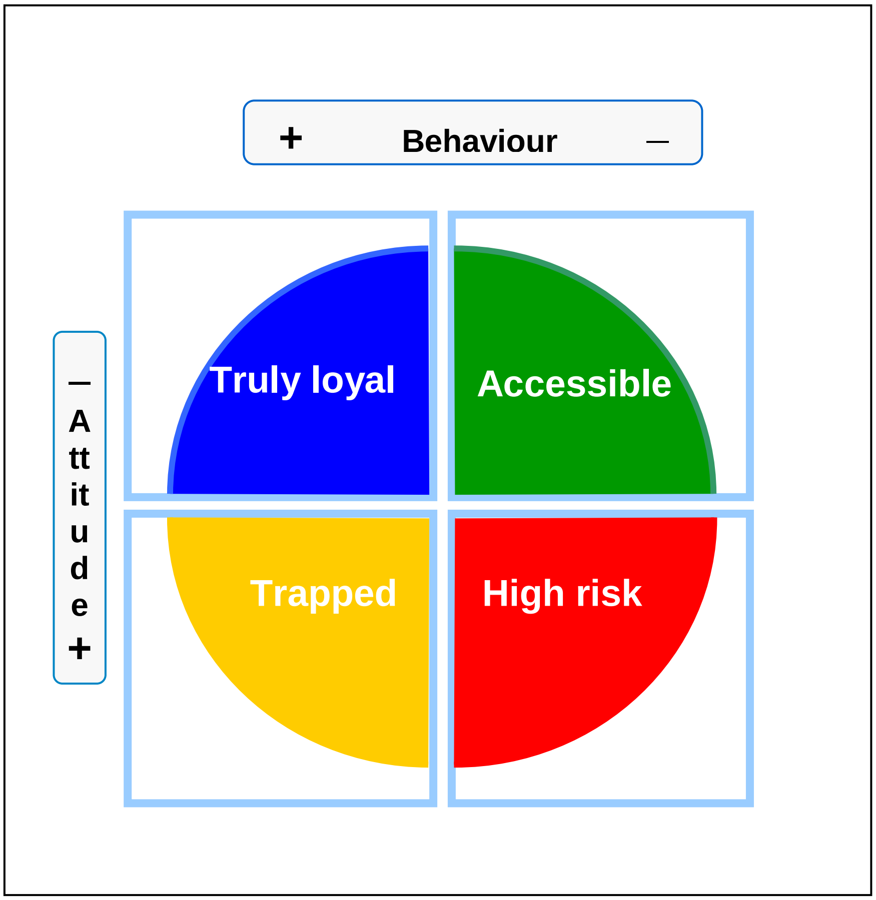


Figure 6.11*: The Loyalty Model*

Source:	Dick and Basu (1994:95-108)
Copyright:	Walker Information, licence: Markinor

Figure 6.11 indicates that four types of loyalty can occur if the attitudes of customers are placed in relation to the behaviour of the customers. Loyalty of customers in the retail banking industry was described in paragraph 2.2.2.2 in Chapter 2.

6.4.1.6 Step 5: Prepare the research report

The fifth step in the research methodology was to prepare a report that presents the analysed data to Bank X.

The ISM framework has been applied in Bank X for two years, between 2004 and 2006. A wealth of information and knowledge about customer experience has been gathered through the 19 000 interviews per month (n = 456 000 in two years).

The results from the ISM framework and the interpretation thereof was handed to the management team of each strategic business unit (SBU) and each geographical area down to branch level as a strategic report along with interpreted information as depicted in an example in Appendix D.

The results of the research were interpreted through impact and performance analyses (ask a rational question – get a rational answer: customers will provide rational responses to questions about the importance of elements in their relationship. The value of deriving impact is that this approach overcomes inherent question-answer bias) and handed to business unit managements in the format shown in Figure 6.12 to serve as a tactical or operational plan. Management obtained a picture of actions to be addressed immediately and actions to be included in the strategy and business plan of every SBU.

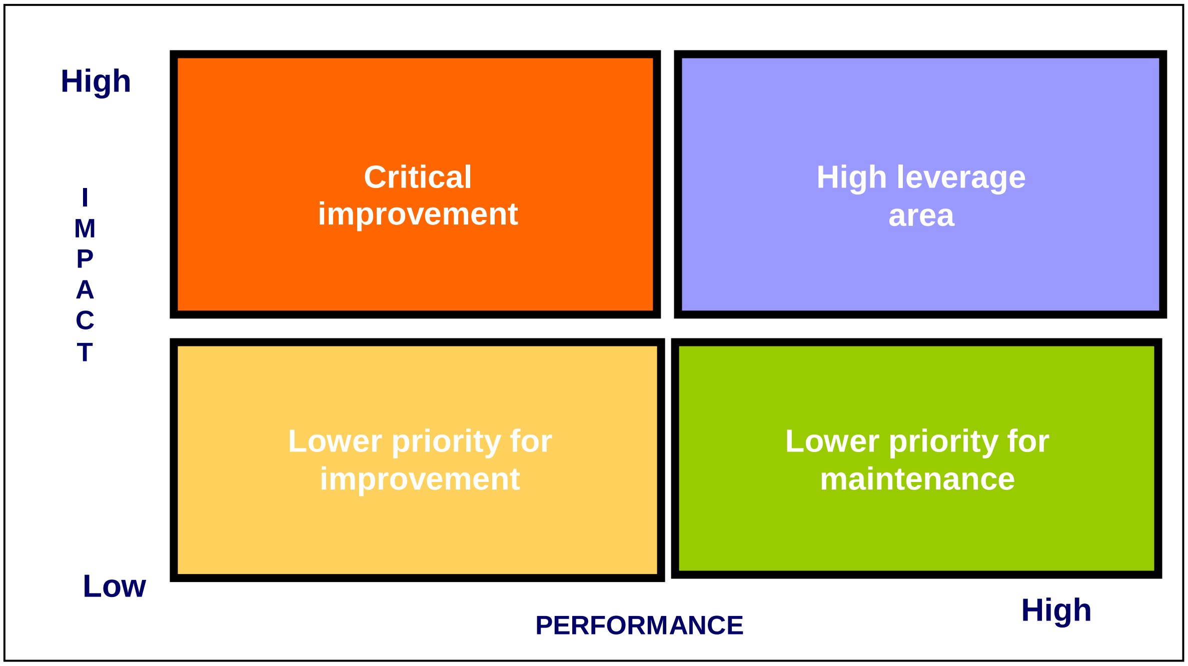


Figure 6.12: Feedback on ISM results
Source: Markinor (2004)

Figure 6.12 above is a feedback mechanism that provided the results from the research in categories indicating if the activity needs critical improvement, is a low priority for improvement or maintenance or a high leverage area for the specific strategic business unit (SBU). The activities were sorted into the categories through the comparison of impact and performance of the activity.

Paragraph 6.4.1 above provided a description of the quantitative research methodology used to measure total customer experience. Paragraph 6.4.2 will describe the qualitative research methodology that is applied in this study.

6.4.2 Qualitative research methodology

The qualitative measurement methodology was depicted in Figure 6.1 at the beginning of paragraph 6.4. This methodology is defined and described through the five steps in this section.

6.4.2.1 Defining qualitative research

According to Creswell (in Del Siegle, 2007:1), qualitative research involves fieldwork, is descriptive and inductive. Qualitative researchers are:

- concerned with process, rather than outcomes or products;
- interested in how people make sense of their lives, experiences and their structures of the world;
- the primary role player in the data collection and analysis.

Tull and Hawkins (1987:310) mention three types of in-depth interviews, namely with individuals, mini groups or focus groups. In-depth interviews are commonly referred to in qualitative research.

Zikmund and Babin (2007:83) define qualitative research as “research that addresses marketing objectives through techniques that allow the researcher to provide elaborate interpretations of market phenomena without depending on numerical measurement. Its focus is on discovering true inner meanings and new insights”.

Zikmund and Babin (2007:83) also argue that qualitative research is less structured than most quantitative approaches. Qualitative research is also more research dependent in that the researcher must extract meaning from unstructured responses such as a recorded interview collage representing the meaning of experiences. Hair, et al. (2006:173) add to the argument by stating that qualitative research tends to focus on collection of detailed amounts of primary data through small samples.

Hair, et al. (2006:173) define qualitative research as “research used in exploratory designs to gain preliminary insights into decision problems and opportunities”.

From the definitions above it is clear that a qualitative research design deals with listening, interpreting and making conclusions from data through the underlying feelings.

6.4.2.2 Step 1: Qualitative research methodology applied

The first step in the research process is to formulate the problem. The behaviour of customers was briefly described with reference to the ISM framework in paragraph 6.41. The researcher believes, based on the definitions given in paragraph 4.4.1 that emphasised the importance of the emotional and behavioural element of an experience, that adding a qualitative perspective can provide the full picture of a customer’s experience with an organisation as the customer tells a story which includes emotions and behaviour. A qualitative research methodology was therefore also followed to measure customer experience as depicted in Figure 6.1 above. The understanding of the emotional and behavioural elements of an experience was researched through the initial literature study. The outcome of the research was incorporated in the formulation of the problem.

6.4.2.3 Step 2: The research design

Through the literature study described in Chapter 4 the researcher identified the fact that customer experience is about the customer's feelings, emotions and tangible experiences. These factors are difficult to capture in a number or score (as shown through the ISM framework in Figure 6.2).

The need arose to add a qualitative dimension of measuring customer experience. The researcher formulated a technique or methodology that was based on story telling and quantifying the stories into themes, values and behaviour.

ImprovSolutions (2003:1-3), specialists in storytelling as methodology argue that "a story was and still is how we learn and make sense of the world around us". Stories have and always will exist within an organisation. You can determine the health of an organisation by its stories. It is only when you acknowledge the value of experiences and recognise that it is stories that organisations are able to use in a constructive manner towards continual improvement and growth.

Berry (2001:58-73) states that storytelling is used as a means to enable organisational members to express their views about environmental behaviours in the organisation. The use of storytelling is a way of individual collective sense making.

Collison and MacKenzie (1999:38-40) argue that stories are one of the earliest forms of communication from tales forming myths to legends. Stories often have the power to convince members of an organisation of a new perspective. This means of passing on knowledge has seen a developing interest with business and retail organisations recognising the importance of stories in organisations.

The story telling approach often relies on pictorial material such as cartoons, photographs or drawings. The methodology used in this study was developed by IBM and is called Cynefin. The researcher worked with Cynefin consultants to identify the specific needs of

Bank X and develop a process through which Cynefin can add value to measuring total customer experience in a qualitative manner.

Cynefin is based on the principle that exploring issues through multiple perspectives allows one to see things from all sides. The most effective technique for understanding experience is story telling. Stories in organisations reveal the patterns of culture, behaviour and ideas. When people tell stories about their experiences, they do so in a manner that reveals “the moment of truth” that cannot be manipulated. Thus, the power in stories is their ability to provide real insight in an uncontaminated manner. Story telling allows one to reach a wide range of different people (Collison & Mackenzie, 1999:38-40).

6.4.2.4 Step 3: Data collection method and forms

The next step in the research process described in paragraph 6.4 and illustrated in Figure 6.1 is data collection and form of the research.

According to Hair, et al. (2006:173), qualitative research tends to focus on the collection of detailed amounts of primary data from relatively small samples by asking questions or observing behaviour.

A team under the leadership of the researcher, who developed and interpreted this qualitative research methodology in Bank X identified three perspectives as critical in the context of a retail bank, namely customers, customer-facing staff and internal management. The three perspectives were selected due to the relevance of their direct involvement with customer interaction with Bank X. The initial research conducted on the total customer experience was utilised to verify the chosen three perspectives. Five hundred and thirty stories were captured into a central database. These stories were received either in written format or were told to a scribe who captured the story.

The stories are similar to the experience interviews defined by Hair, et al. (2006:202) as the "informal gathering of information from individuals thought to be knowledgeable on the issues relevant to the information research problem". Hair, et al. (2006:202) also state that experience interviews differ from other interview approaches in that no attempt is made to ensure that the findings are representative of an overall defined group of subjects.

The stories were captured into the Cynefin framework, and the outputs were themes, values and archetypes. The team analysed the outputs and interpreted and translated them for the purpose of measuring customer experience.

With the data collected through the stories told, the stories were now analysed and interpreted to gain insight into content of the stories.

6.4.2.5 Step 4: Analyse and interpret the data

The next step in the research process described in paragraph 6.4 and Figure 6.13 is the analysis and interpretation of the data.

Hair, et al. (2006:173) describe data analysis in qualitative research as typically involving subjective content, interpretation, or semiotic analysis procedures.

The stories obtained from customers, customer-facing staff and management were analysed by means of the Cynefin framework and the outputs were interpreted by the team at Bank X. Themes emerged from the stories, then values behind the stories came to light, and typical characters were recognised as another output.

6.4.2.6 Step 5: The research report

The last step in the research process described in paragraph 5.2 is reporting.

The team at Bank X made a presentation to top management and to relevant role players in the field of customer experience. The presentation comprised the themes, values and archetypes and an analysis of the output to explain the implications of the research for Bank X.

It was useful to compare the differences between the themes, values and characters that emerged. The archetypes were visually displayed in pictures drawn by a cartoon artist. These pictures made the results much more understandable for staff as they could associate with the characters in the pictures. The key archetypes were presented to Bank X through role plays and industrial theatre. Figure 6.13 offers an example of an archetype called Mother Teresa. This archetype signifies a caring bank employee assisting customers.

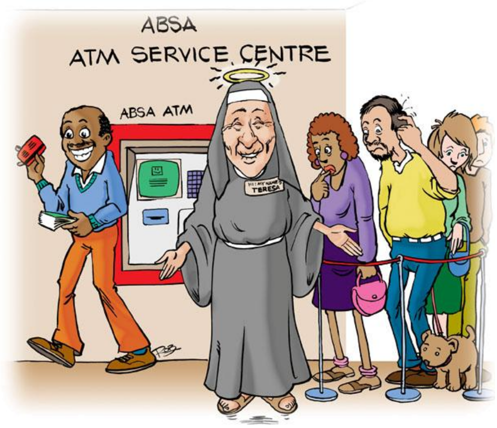


Figure 6.13: Example of an archetype

Paragraph 6.4.2 described the process that was developed and followed to obtain qualitative data for measuring total customer experience.

The research methodology and design of a quantitative and qualitative approach are described in this section. The quantitative approach is applied in this study through an integrated service measurement framework that was developed to measure the total customer experience on levels of service needs, attitudes and behaviours of customers.

The qualitative approach is applied through a framework called Cynefin that is developed by IBM. The framework analyses stories of customers, customer facing staff and management and gives as output the values that lie behind the stories, the themes running through the stories and archetypes derived from the stories.

The combination of the quantitative and qualitative research methodologies in this study lead to a rich output providing insight into customers’ experiences when interacting with Bank X.

6.5 CONCLUSION

This chapter explained the methodology and the design used for the qualitative and quantitative research to measure total customer experience for this study.

A framework was developed by the researcher to measure customer experience quantitatively and an existing model, designed by IBM, was utilised to depict the quantitative side of measuring customer experience.

Against this background, the results of the research conducted at Bank X through the quantitative and qualitative methodologies will be described and interpreted in the next chapter.

CHAPTER 7

CUSTOMER EXPERIENCE MEASUREMENT RESULTS

The customer's perception is your reality

(Customer Service Point, 2007:2).

7.1 INTRODUCTION

Against the background of the research methodology and design described in Chapter 6, the results of the qualitative and quantitative research conducted by means of the ISM framework, the pilot study and the Cynefin framework are described in this chapter.

The results of the research discussed in this chapter substantiate the secondary research objective of "determining whether customer experience in a retail banking environment can be measured qualitatively and quantitatively" as stated in paragraph 5.3.2.

The quantitative research in this study was conducted in Bank X over a two year period. The research was done for the total Bank X as well as in every specific stratregic business unit (SBU), namely the segment related SBUs (high nettworth segment, middle market segment and mass market segment, business market segment), the product related SBUs (home loans, credit card, vehicle finance, international banking) and the delivery channel related SBUs (branch, ATM, internet, telephone). The results utilised to discuss the outcome of the quantitative framework (the ISM framework) in this chapter depict the total results of Bank X for a specific time frame of three months. The example of the interpretation of the results was taken from a product business unit, namely Home Loans.

The quantitative research in this study was conducted in Bank X in the branch environment and the results utilised to discuss the qualitative framework (Cynefin) are taken therefore from the retail banking branch environment.

The reasons for utilising different sets of research results for the different result areas depicted in this chapter are firstly because the purpose of this study was not to show the actual results obtained for one business area in total obtained at Bank X and to interpret these results, but to describe a newly developed model that can measure total customer experience. The second reason is to demonstrate, through its application at Bank X over two years, the validity of these frameworks and their potential value to organisations.

7.2 RESULTS OF QUANTITATIVE CUSTOMER EXPERIENCE RESEARCH

In order to create world-class, leading customer experiences where customers make their own choices, the starting point is to understand what customers need, expect and experience.

The research methodology for the quantitative research was described in paragraph 6.3.1.

7.2.1 The pilot study

Given the extensive scope of the research exercise in utilising the Integrated Service Measurement (ISM) framework and the fact that total customer experience would be measured for the first time, the researcher suggested that a pilot study be conducted. The broad traits and findings of the pilot study are described below.

The pilot study was conducted over three months in four strategic business units of the total organisation, including two segments (i.e. small business, mass market), a product (i.e. home loans, credit cards) and a channel (i.e. branch, Internet, ATM). The following were objectives of the pilot study:

(i) To analyse processes from data to delivery.
(ii) To investigate hit rates and the viability of potential sample quotas.
(iii) To test instrument redesigns.

(iv) To integrate common ground in questionnaires and to insert loyalty management diagnostics.

(v) To demonstrate progress towards full roll-out in terms of process and insights.

7.2.1.1 Key learning points from the pilot study

After completion of the pilot study the researcher identified the following learning points from the process:

(a) Different measures delivered different hit rates.

(b) Respondents understood the new designs.

(c) Interview duration was within the agreed parameters.

(d) Scaling items were well understood by respondents and delivered greater insights for analysis.

(e) Measurements had to be standardised to ensure seamless and hassle-free application.

(f) Consistent questionnaires allowed modelling across areas, levels of hierarchy and other views.

The findings of the pilot study clearly indicate the readiness of the organisation for the total quantitative measurement process. The learnings from the pilot study were incorporated in the process and the decision was taken to apply the process of measuring customer experience quantitatively through the ISM framework throughout the total organisation on a monthly basis.

7.2.2 Results of ISM framework research (March to May 2005)

The ISM framework was applied as measurement method and customer experience was measured throughout the total organisation monthly. The results were interpreted and presented to management on a quarterly basis.

Figure 7.1 contains a synopsis of the results across all segments, products and delivery channels for the total Bank X Group, from March to May 2005, using the ISM framework. The researcher presented the results to Bank X's executive management in this format.

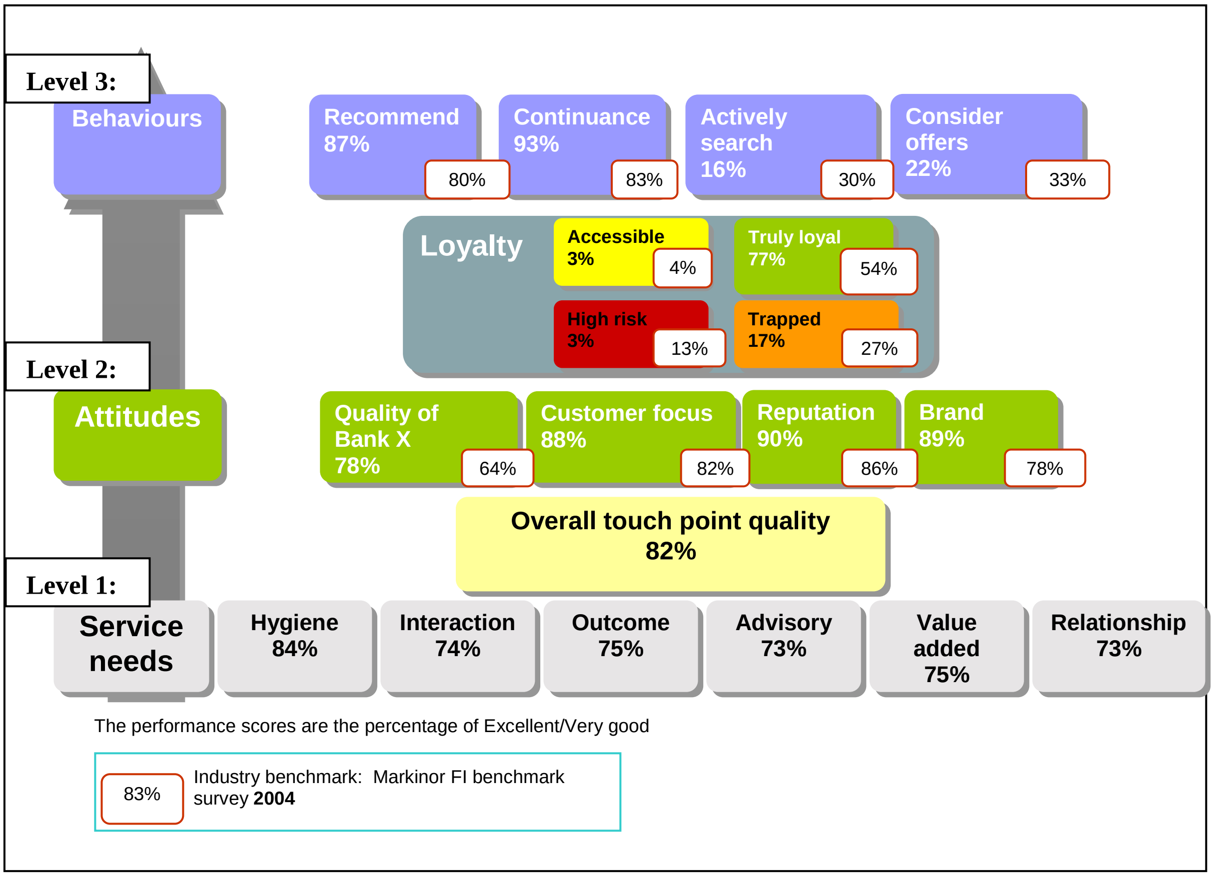


Figure 7.1: The ISM framework with results

Source: Markinor (2004)

Figure 7.1 indicates the results obtained on the three levels of the ISM framework (these levels were explained in paragraph 6.3.1.5). The analysis was done by analysing the results from the interviews with customers. The questions asked in the interviews (on a 5 point Rikert scale) focused on each attribute and level of the framework. An example of a questionnaire is in Appendix B. Specific questions were asked in all interviews, focusing on the attitudinal level. The questionnaire is included as Appendix C.

The percentage indicated in each block in Figure 7.1 is the percentage of customers who responded Very Good or Excellent (2 top box score (4.5)) in the questions asked in support of the specific attribute. For example, 84 percent of customers interviewed indicated that hygiene factors of Bank X on a service needs level are very good or excellent. The percentage given in the white block in the right hand corner of each attribute on the attitudinal and behavioural levels (level 2 and 3) is the industry benchmark for the specific attribute. The comparison between the survey and industry benchmark will be discussed in paragraph 7.2.2.1 below.

The overall touch point quality (82 % in this example in Figure 7.1) is the overall view on service needs. It is not the average of the attributes in level one, but calculated as a weighted average.

Loyalty as indicated in Figure 7.1 is derived from the results obtained through levels two and three.

A detailed analysis of the results on each level of the framework is given in paragraph 7.2.2.2 below.

7.2.2.1 Industry benchmark

When customer experience is measured and analysed, it is important to compare the research results with the prevailing situation in the relevant industry. In Figure 7.1, the industry benchmark for financial services appears in a white block in the corner of each result area. The financial services industry benchmark is determined every year by Markinor and offered a valuable contribution to the ISM framework. Markinor does the survey among the four major South African banks (Absa, First National Bank, Nedbank and Standard Bank), focusing on service needs, attitude and behaviour. A loyalty model for the industry is based on the results.

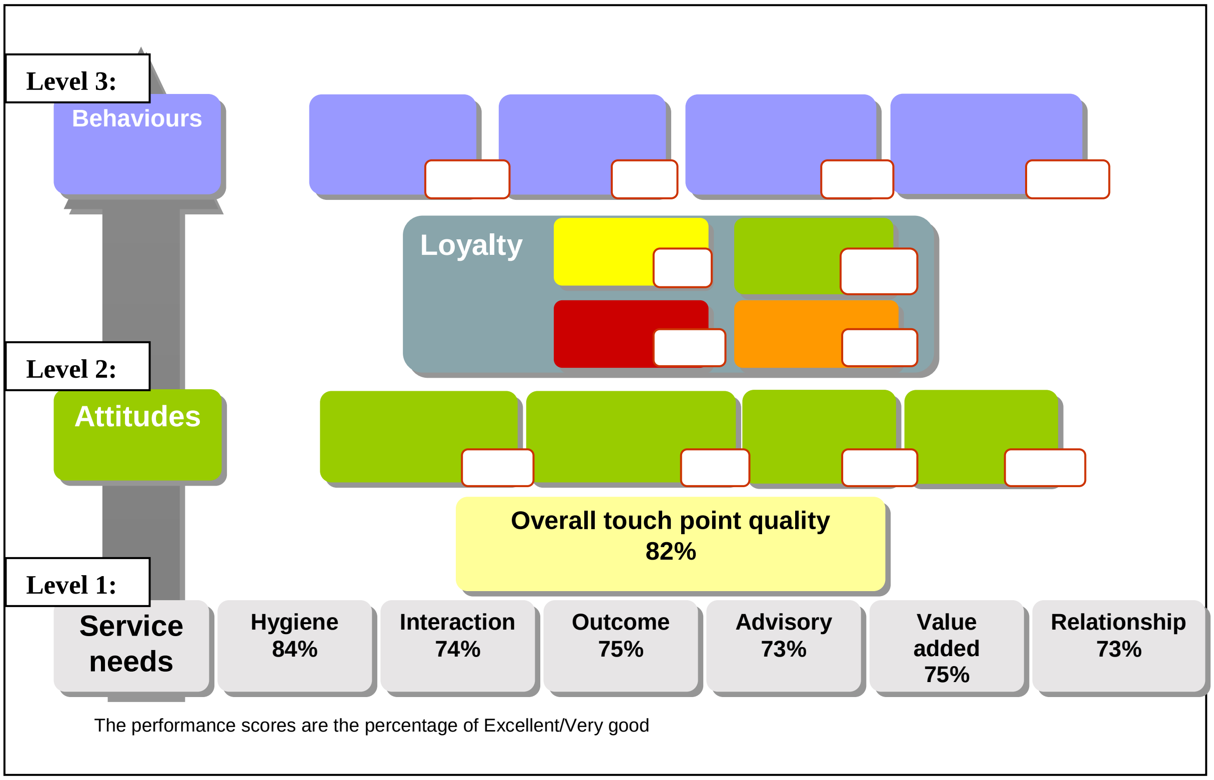
The importance of customer loyalty and behaviour in retail banking in South Africa was described in paragraph 2.2.2.2.

The overall quality of Bank X's customer experience is way above the industry benchmark. The challenge remains to maintain this high-level result as the market leader.

7.2.2.2 Analysis of the results

The results obtained with the ISM framework as depicted in Figure 7.1 will now be discussed in detail. Each dimension or level of the model is analysed separately, focusing on the result and the interpretation thereof.

(i) Level 1: Service needs level



The performance scores are the percentage of Excellent/Very good

Figure 7.2: The ISM framework with results – level 1

Source: Markinor (2004)

According to the results in Figure 7.2 with respect to basic service needs (level 1), the quality of hygiene is very high (84%). Figure 7.2 includes the basic hygiene factors (eg neatness, friendliness) customers expect when they deal with a bank.

The organisation decided by means of benchmarking and targets what is considered very high, high average and low for the different elements. The figures for different segments, products and channels differ. The scores are compared with the industry benchmark.

Tables 7.1 to 7.3 contain the results of the research into service needs in a segment, product and channel context. Table 7.1 contains factors raised by customers in the segment category. In a retail bank, the broad segment categories are the mass market, the middle market and the high net worth category.

Table 7.1: Service needs in the segment category (mass market, middle market, high nett worth)

- Professional appearance
- Respectful and friendly manner
- Speaking in a language you can understand
- Willing to assist you
- Demonstrating skill and knowledge in completing your transaction
- Easy to do business with
- Dealing with customers in a professional manner
- Completing your transaction quickly, without delay
- Completing your transaction accurately, right the first time
- Keeping to the promised time for completion of your transaction
- Treating you as a special individual
- Treating you as if you and your needs are important

Source: Bank X reports

In the channel context, focusing on interaction via an ATM, customers listed the factors mentioned in Table 7.2. Key channels in the retail banking environment are branch, ATM, telephone and the internet.

Table 7.2: Service needs in a channel context (branch, ATM, telephone and the internet)

- The ATM itself was clean and neat
- The area around the ATM was clean
- The ATM is in a safe location
- Customers felt safe and secure while using the ATM
- The instructions on the ATM are easy to understand and follow
- The language used is clear and easy to understand
- It is possible to complete the transaction at the ATM quickly and without delay
- The transaction at the ATM can be completed accurately, right the first time

Source: Bank X reports

The factors in Table 7.3 below were listed in the product context, where interaction was related to international banking products. The core products in a retail banking context are savings products and lending products.

Table 7.3: Service needs in a product context (savings and lending products)

- A respectful and friendly manner
- Dealing with the customer in a professional manner
- Speaking in a language that is easy to understand
- Using language that is clear and easy to understand
- Demonstrating skill and knowledge in completing a transaction
- Delivering on a request accurately, right the first time
- Delivering on a request within a satisfactory period
- Delivering high-quality service in accordance with customer requirements

Source: Bank X reports

It is clear from the information depicted in Tables 7.1, 7.2 and 7.3 that Bank X has to concentrate on basics to encourage certain customer attitudes and behaviours. The results listed above are direct and easy to understand, and therefore of great value to Bank X.

The above section described the service needs level results obtained by means of the ISM framework. The second level of the model, namely the attitudinal level, is described below.

(ii) Level 2: Attitudinal level

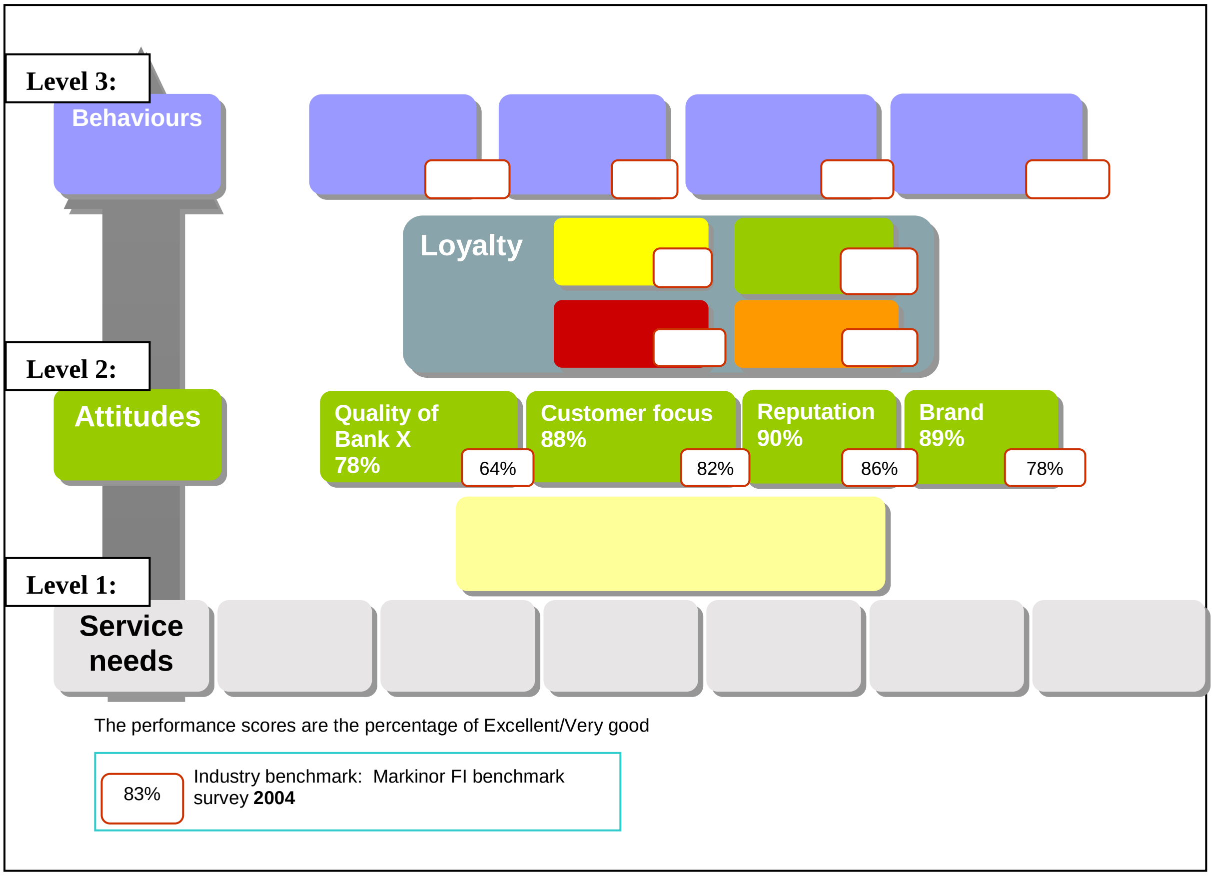


Figure 7.3: ISM framework with results: level 2

Source: Markinor (2004)

The definitions of attitudinal level elements were presented in Figure 6.5. Specific questions were asked during the customer interviews regarding the attitudinal attributes (see appendix C to this report for an example of the questionnaire).

The results for Quality at Bank X (84%), Customer focus (88%), Reputation (90%), and Brand (89%) as depicted in Figure 7.3 clearly indicate strong attitudinal factors for Bank X. The results obtained for Bank X regarding attitudinal elements are way above the industry benchmark as illustrated in the comparison between the results for Bank X and the industry benchmark per element on the attitudinal level in Table 7.4 below.

Table 7.4: Comparison between the results on attitudinal elements for Bank X and the industry benchmark

Element on attitudinal level	**Bank X (%)**	**Industry benchmark (%)**
Quality of Bank X	88	64
Customer focus	88	82
Reputation	90	86
Brand	89	78

Source: Author's own

It is clear from the results depicted in Table 7.4 above that Bank X is the market leader in all the attributes on the attitudinal level. Bank X's strengths lies specifically in the quality of the bank and its brand. Those two attributes need to be nurtured and Bank X needs to build on the strengths.

The results for the third level of the ISM framework, namely behaviours, are discussed in Figure 7.4 below.

(iii) Level 3: Behavioural level

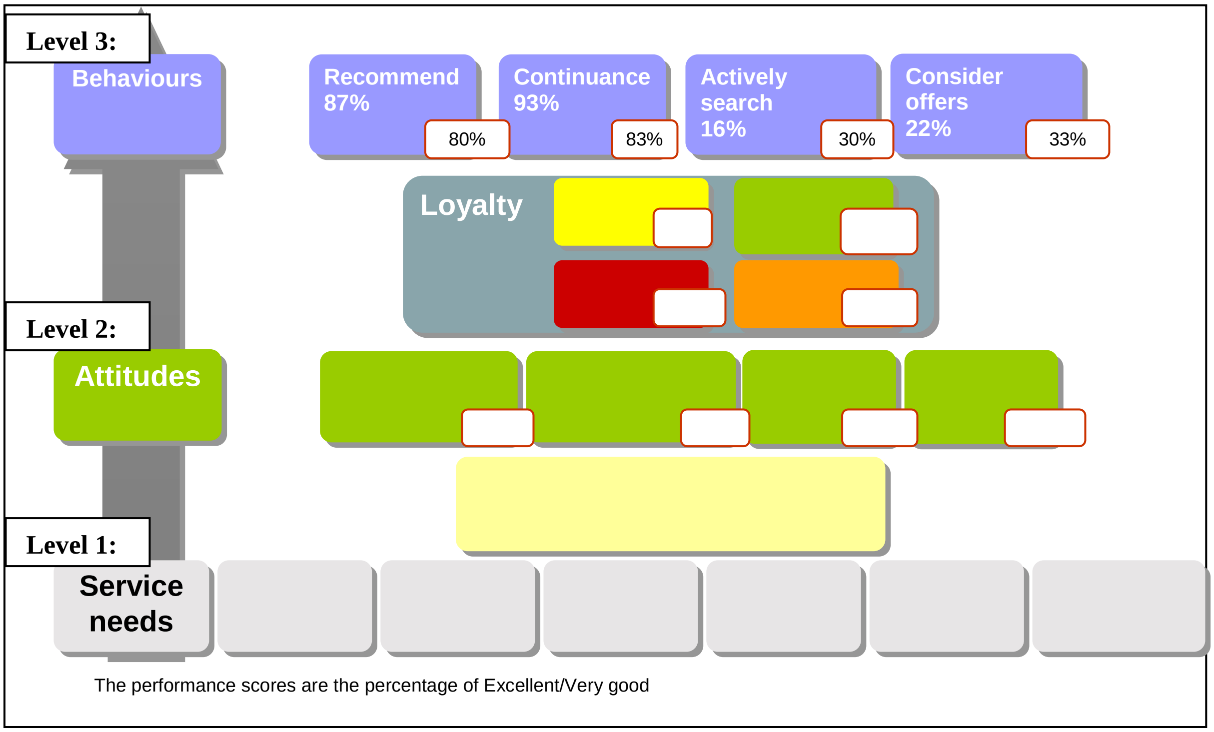
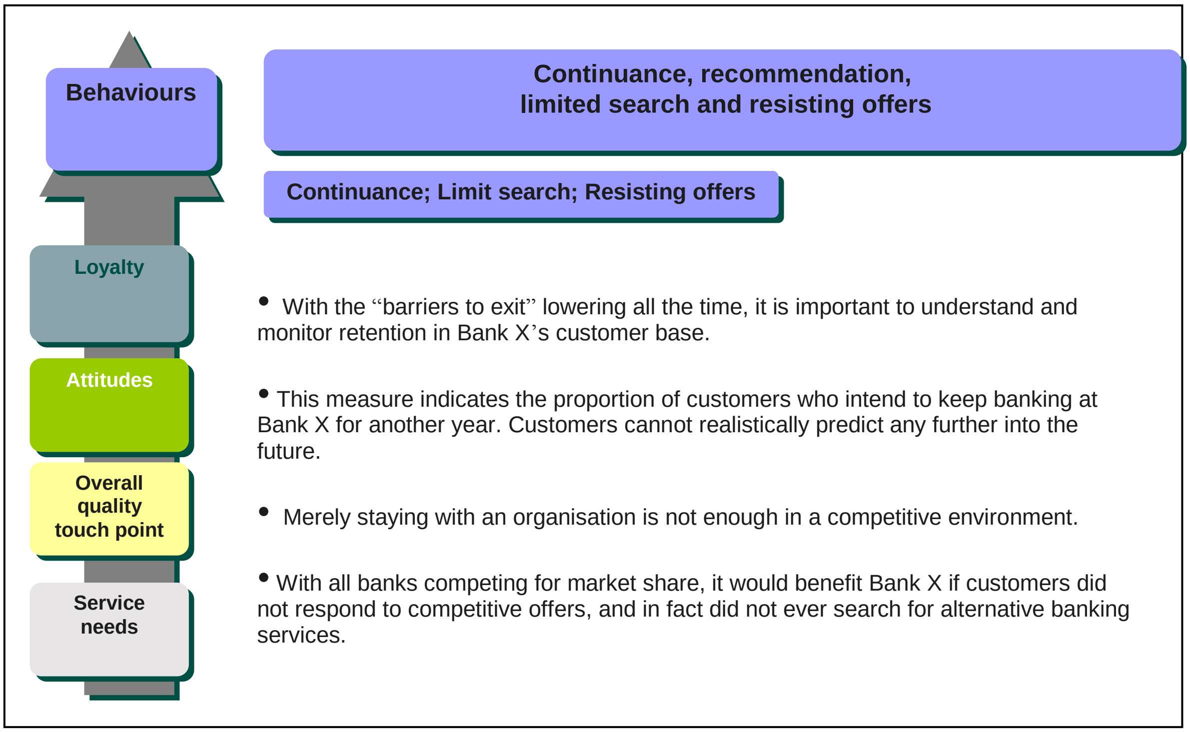


Figure 7.4: ISM framework with results – level 3

Source: Markinor (2004)

On the third level of the ISM framework as indicated in Figure 7.4, customers had to indicate whether they will continue dealing with Bank X, whether they will recommend the bank to others, and whether they are actively searching for an alternative bank. The outcomes of this research appear in Figures 7.5 and 7.6 below.



- With the “barriers to exit” lowering all the time, it is important to understand and monitor retention in Bank X’s customer base.
- This measure indicates the proportion of customers who intend to keep banking at Bank X for another year. Customers cannot realistically predict any further into the future.
- Merely staying with an organisation is not enough in a competitive environment.
- With all banks competing for market share, it would benefit Bank X if customers did not respond to competitive offers, and in fact did not ever search for alternative banking services.

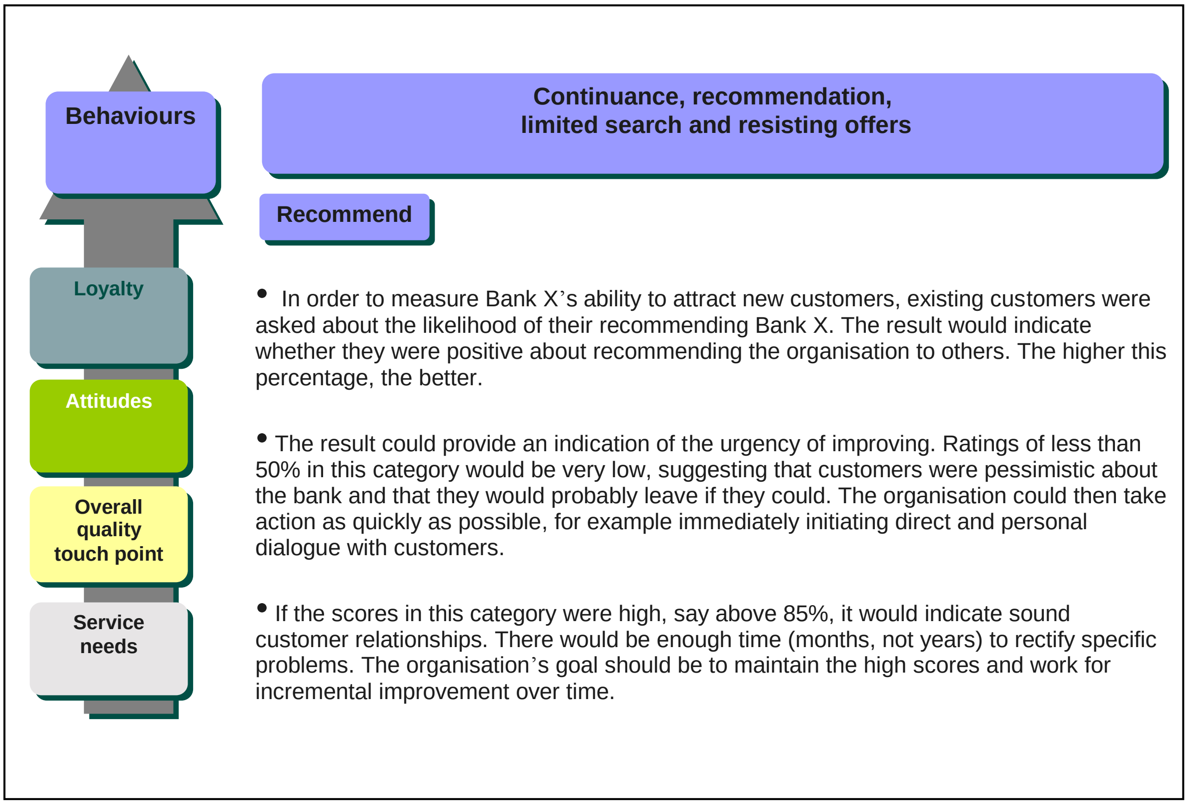
Figure 7.5: Continuation, searching and considering offers as behaviours
Source: Markinor (2004)

Continuation, actively searching and considering offers

Customers had to indicate whether they plan to continue doing business with Bank X or whether they are actively searching for an alternative bank. Definitions for these behaviours appear in Figure 7.5 above. The results illustrated in Figure 7.4 show that 93 percent of Bank X’s customers intended to continue doing business with the organisation whereas the industry benchmark is 83 percent. Sixteen per cent were actively searching for an alternative bank (industry benchmark 30%), and 22 percent would consider offers from other organisations (industry benchmark 33%).

Recommendation

Figure 7.6 below provides definitions for customers who indicate that they will recommend Bank X to other current or potential consumers.



- In order to measure Bank X's ability to attract new customers, existing customers were asked about the likelihood of their recommending Bank X. The result would indicate whether they were positive about recommending the organisation to others. The higher this percentage, the better.
- The result could provide an indication of the urgency of improving. Ratings of less than 50% in this category would be very low, suggesting that customers were pessimistic about the bank and that they would probably leave if they could. The organisation could then take action as quickly as possible, for example immediately initiating direct and personal dialogue with customers.
- If the scores in this category were high, say above 85%, it would indicate sound customer relationships. There would be enough time (months, not years) to rectify specific problems. The organisation's goal should be to maintain the high scores and work for incremental improvement over time.

Figure 7.6*: Recommendation as behaviour*
Source: Markinor (2004)

The results in Figure 7.4 indicated that 87 percent of Bank X's customers would recommend it to others (industry benchmark 80%).

The interpretation of the results does not stop at this point, however. The researcher and the team also developed a driver model and utilised the Walker Loyalty Model for further interpretations.

7.2.2.3 Analysis of loyalty model results

A loyalty model, described in paragraph 6.4.1.5, was constructed to add more value to the research results. The behaviour of loyal customers in retail banking in South Africa was discussed in paragraph 2.2.2.2. Loyalty derives from the behavioural and attitudinal results shown in Figure 7.7 below.

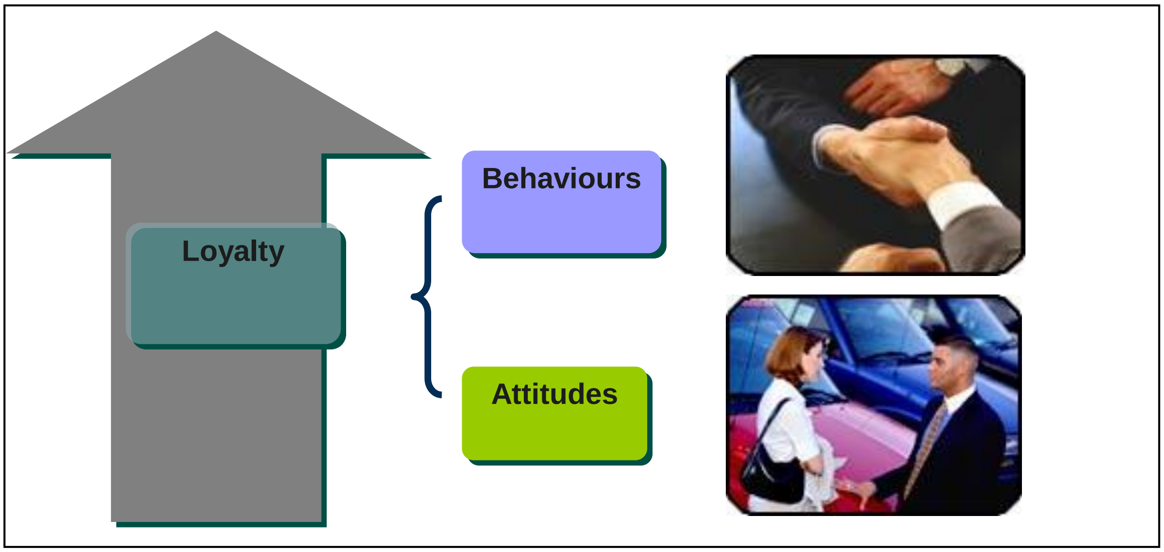


Figure 7.7: Loyalty is about both behaviour and attitude
Source: Markinor (2004)

Figure 7.7 above illustrates that loyalty of customers is derived from their attitudes and behaviour towards Bank X as depicted in the results of these two levels of the ISM framework.

The research results for the four dimensions of the loyalty model are given in Figure 7.8 and illustrated in Figures 7.9 to 7.12.

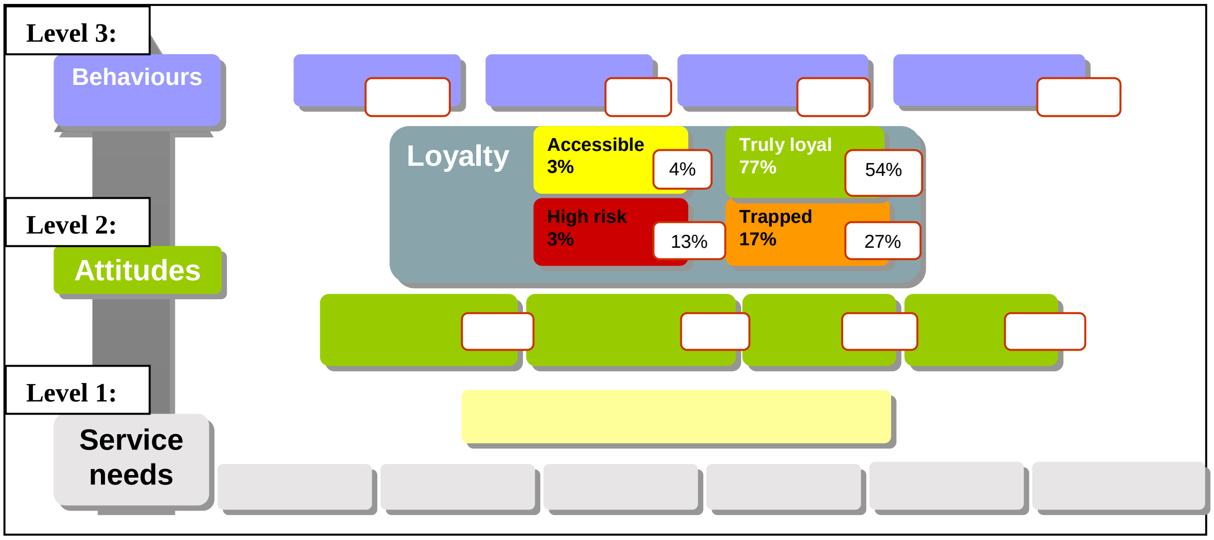


Figure 7.8: Loyalty model results

Source: Markinor (2004)

Figure 7.8 above illustrates the loyalty pattern of Bank X's customers. The majority of the customers, namely 77% are truly loyal to Bank X (benchmark 54%) and will therefore not easily be attracted to change to another bank.

The dimensions of the loyalty model are truly loyal, acceptable, trapped and high risk as defined in Figure 6.7.

Truly loyal

Figure 7.9 below illustrates the position of truly loyal customers in the loyalty model. Truly loyal customers are low on the attitude scale and high on the behaviour scale.

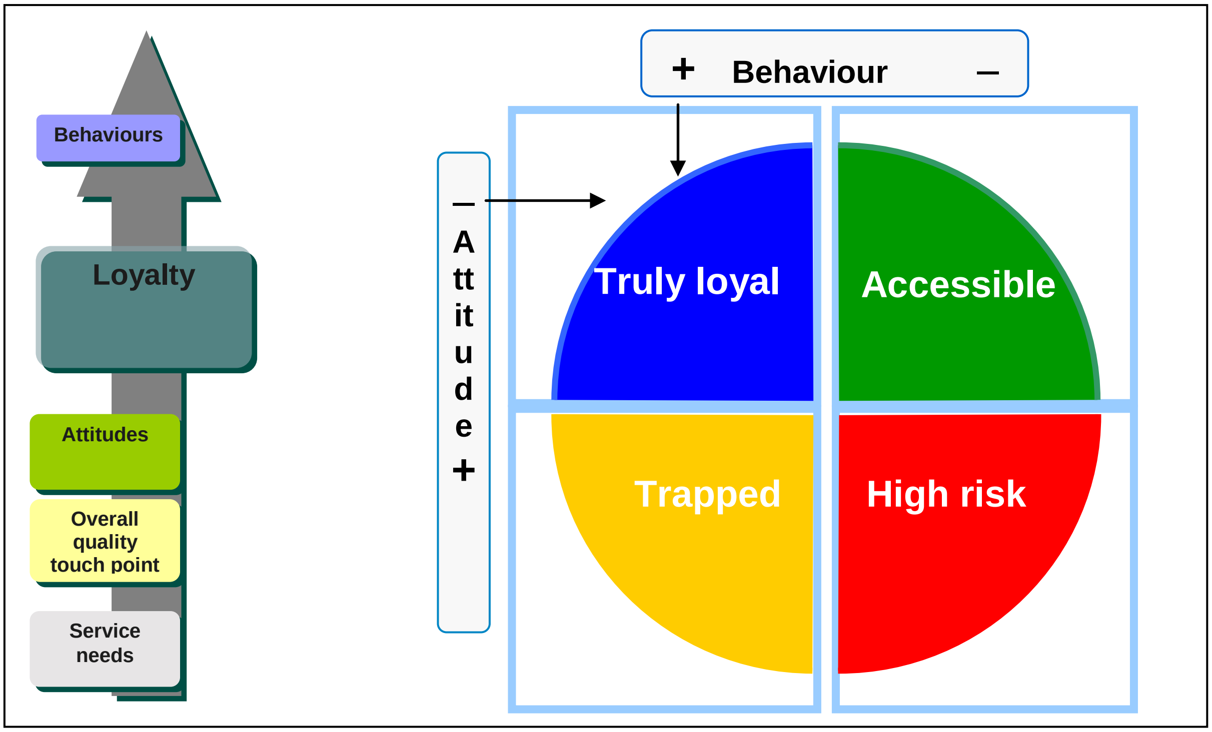


Figure 7.9: "Truly loyal" according to the loyalty model
Source: Adapted from Dick & Basu, 1994:95-108

About 77 percent of Bank X's customers are truly loyal to the bank, compared to a benchmark of 54 percent (see Figure 7.8). "Truly loyal" illustrated in Figure 7.9 is interpreted as follows.

This is the desired category for all customers. Truly loyal customers form the backbone of an organisation. Truly loyal customers fully intend to continue their relationship with Bank X and their attitude is positive. An organisation should maintain and develop the relationship. These customers show high attitudinal and behavioural commitment.

Accessible

Figure 7.10 illustrates the position of accessible customers in the loyalty model. These customers are low on the behaviour scale and low on the attitude scale.

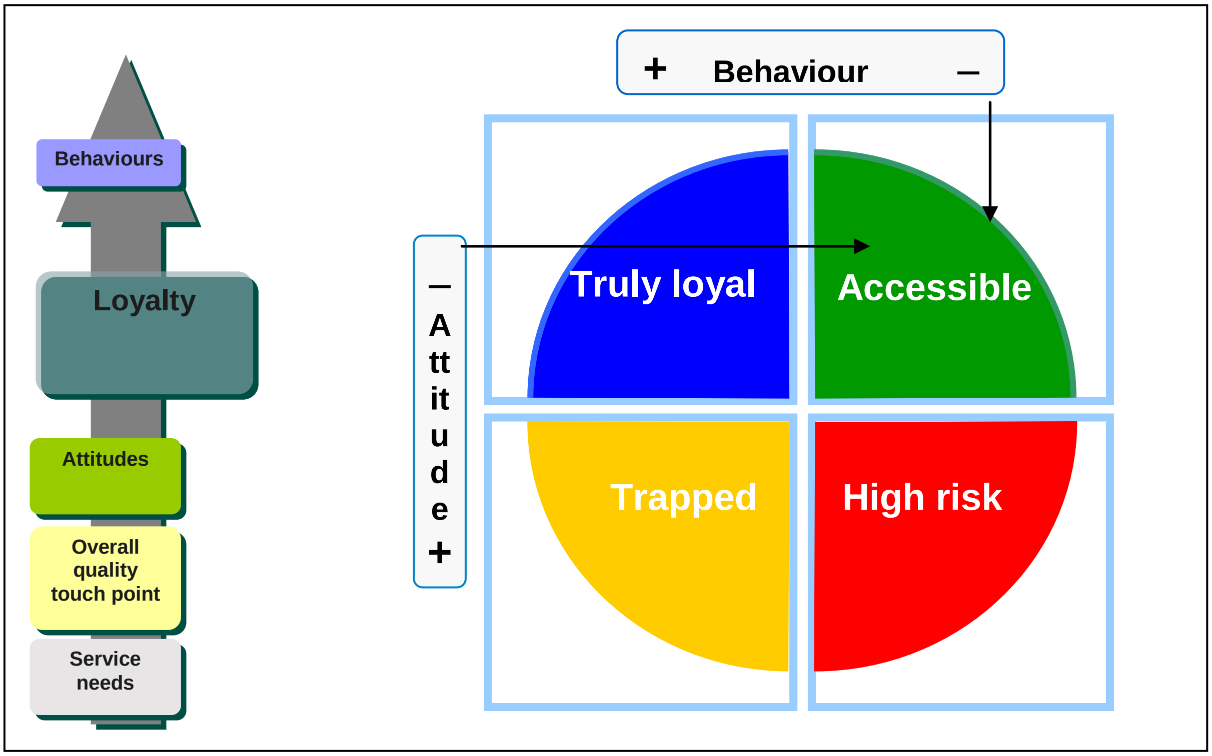


Figure 7.10: "Accessible" according to the loyalty model
Source: Adapted from Dick & Basu, 1994: 95-108

Three per cent of Bank X's customers fall in the "accessible" category, compared to a benchmark of four percent as depicted in Figure 7.8. "Accessible" illustrated in Figure 7.10 is interpreted as follows: Bank X has little control over these customers. Their attitude is positive, but they will stop using Bank X. External factors (e.g. they no longer need Bank X's products or services) prevent them from staying with the bank. It is critical to determine why they plan to leave (especially since they have a high opinion of the bank).

Trapped

Figure 7.11 illustrates the position of trapped customers in the loyalty model. These customers are high on the attitude and behaviour scale.

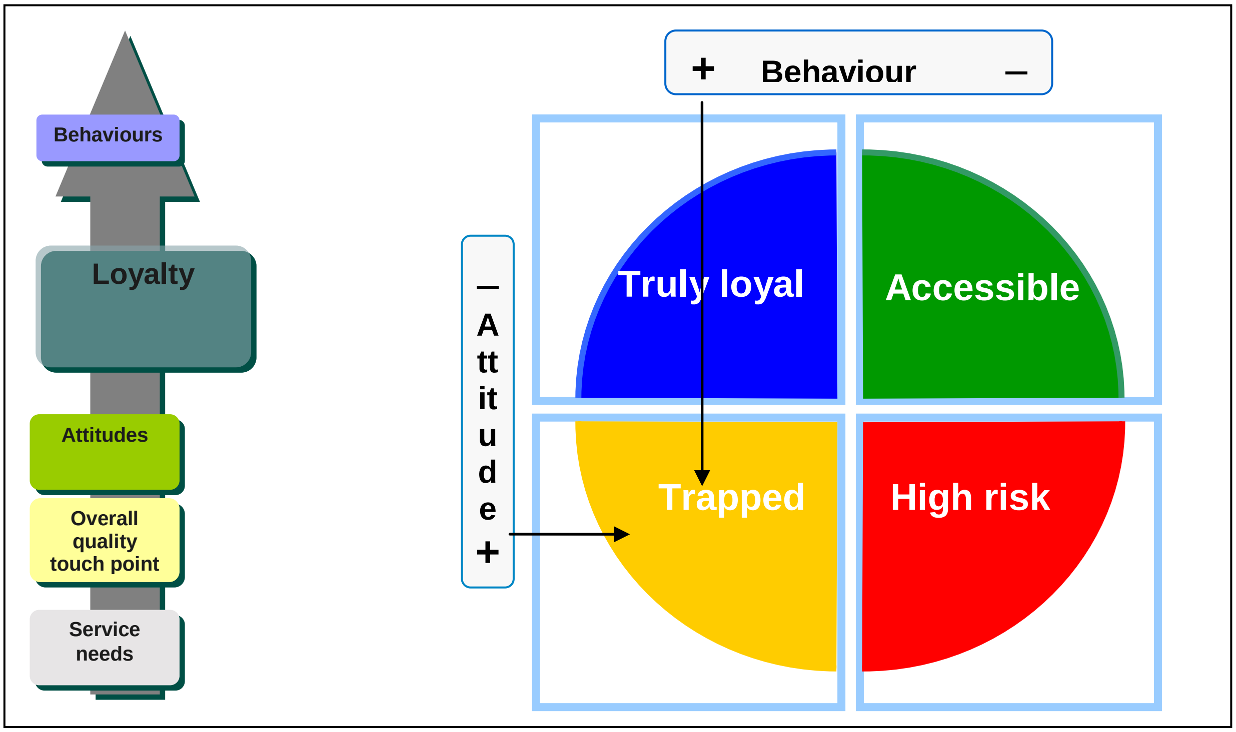


Figure 7.11: "Trapped" according to the loyalty model

Source: Adapted from Dick & Basu, 1994:95-108

Seventeen per cent of Bank X's customers fall in the "trapped" category, compared to a benchmark of 27 percent as depicted in Figure 7.8. "Trapped" illustrated in Figure 7.11 is interpreted as follows: this group plans to stay with Bank X, but they do not like the bank. In fact, their attitude towards the bank is negative. This group will most likely switch to another bank when they get the chance. However, if Bank X can improve their attitude (e.g. by implementing the results of this study) there is good chance of converting them to being truly loyal customers.

High risk

Figure 7.12 illustrates the position of high risk customers in the loyalty model. These customers are low on the behaviour scale and high on the attitude scale.

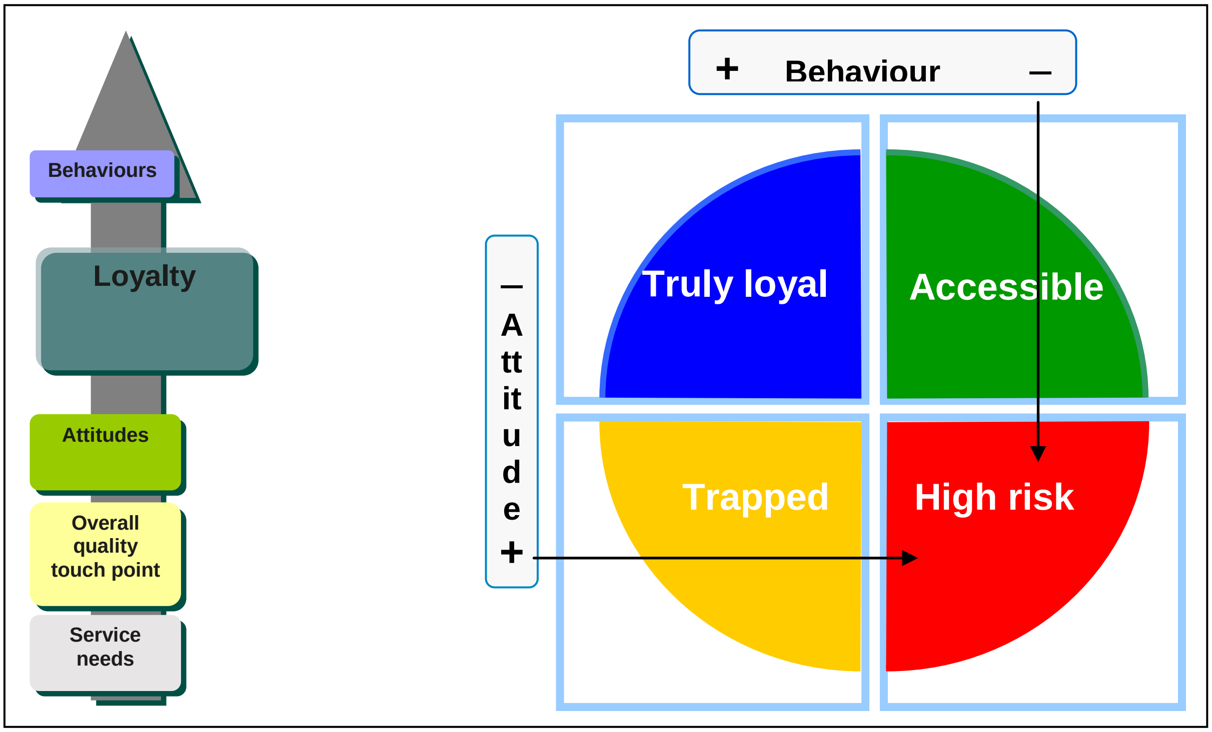


Figure 7.12: "High risk" according to the loyalty model
Source: Adapted from Dick & Basu, 1994:95-108

Three per cent of Bank X's customers fall in the high-risk category, compared to a benchmark of 13 percent as depicted in Figure 7.8. The "high-risk" results as illustrated in Figure 7.12 are interpreted as follows: The high risk segment of the model quantifies the number of customers Bank X is likely to lose – they do not like Bank X and they will probably leave the bank. However, it is possible to retain them. Identify and counter situational factors to encourage them to maintain their relationship with the bank, and they may move into the "trapped" category. Alternatively Bank X could implement a strategy based on the results of this study to improve their attitude and gain their loyalty (they become "accessible").

The above interpretations point to the critical importance of moving customers to a next level of loyalty. Understanding the behaviour of customers leads to an in-depth understanding of customer acquisition and retention.

7.2.2.4 Analysis of the driver model results

After the analysis of the results obtained through the ISM framework, an additional analysis was conducted to determine what drives the behaviour of customers on each level and through each attribute. These key drivers indicate what drives positive customer experience in an organisation. The drivers differ for each business unit and are also different for different segments, products and channels. The driver model results, as derived from the measurement results obtained at Bank X are illustrated in Figures 7.13 and 7.14 as two examples of driver models in Bank X.

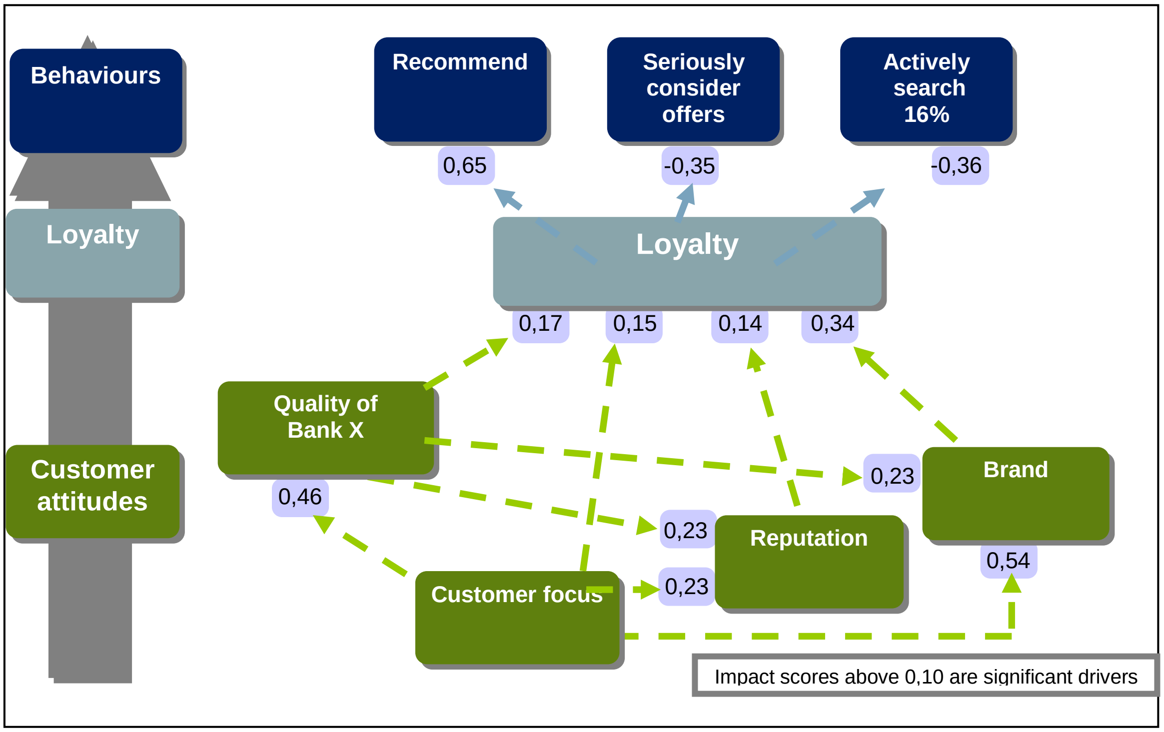


Figure 7.13: Driver model 1
Source: Markinor (2004)

The driver model 1 results depicted in Figure 7.13 indicate that the quality of Bank X, the customer focus, the reputation and the brand drive loyalty of the customers to Bank X. Quality drives reputation, and brand and customer focus drive quality and brand.

Figure 7.14 illustrates a second example of a driver model utilised in Bank X focusing on the attribute Quality of Bank X on the attitudinal level.

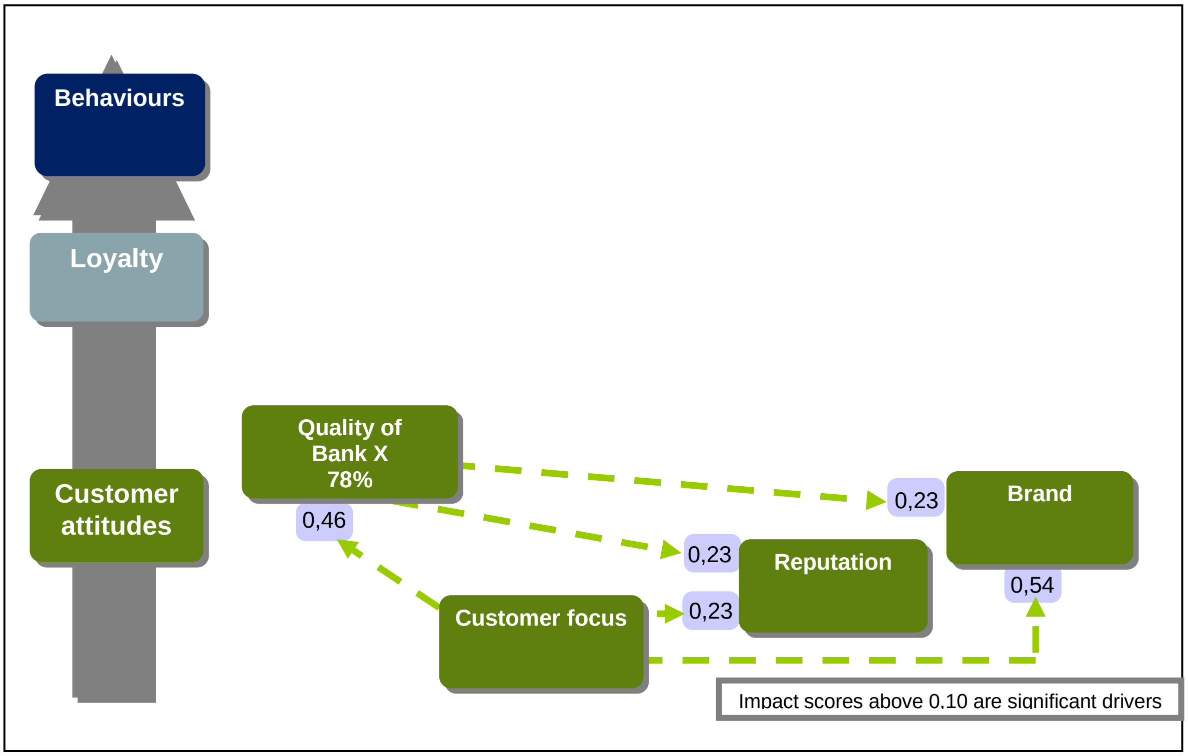


Figure 7.14: Driver model 2
Source: Markinor (2004)

The driver model 2 results depicted in Figure 7.14 indicate the following:

- Customer experience and perceptions of Bank X do not exist in isolation. Customer focus is a strong driver of customers' perceptions of brand and the overall quality of Bank X and its reputation.
- Overall quality at Bank X drives customers' attitudes to the brand and the reputation of Bank X.
- Customer focus and quality at Bank X are strong "net effect" drivers. Customer focus is therefore a key driver of customer attitude. Overall quality at Bank X also has an impact on customers' holistic view of Bank X.

7.2.3 Conclusion on quantitative customer experience results

The total customer experience can be measured quantitatively and these results add considerable value to organisational planning.

The quantitative measurement framework (ISM) provides results on a service needs level, an attitudinal level and a behavioural level as well as a driver model and loyalty model as depicted in Figure 7.1 and analysed per level in paragraph 7.2.2.2.

The results obtained from the ISM framework as depicted in Figure 7.1 are interpreted and presented to management with recommendations on the actions to be implemented to improve on customer experience. An example of a report on possible actions is depicted in Figure 7.15 below. The rationale behind the format used is described in paragraph 6.3.1.6. An example of a report on the total results of Bank X is attached in Appendix D.

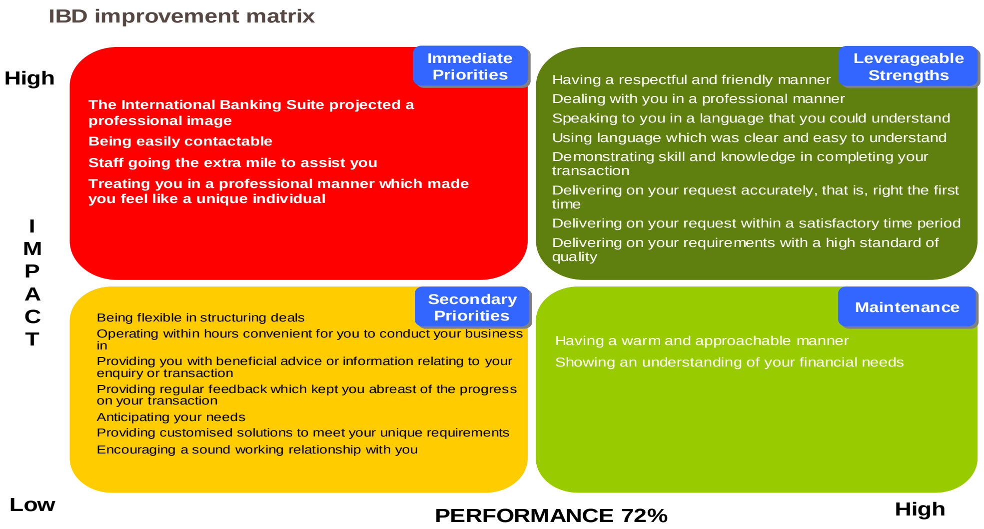


Figure 7.15: Proposed actions from ISM results

Source: Bank X reports

In this section the results of the quantitative research through the utilisation of the ISM framework were described. The next section will indicate the utilisation of qualitative research through the Cynefin framework leading to a much more comprehensive result on measuring the total customer experience by combining the quantitative and qualitative results.

7.3 RESULTS OF QUALITATIVE MEASUREMENT RESEARCH

In conjunction with the quantitative research through the ISM framework, qualitative research was conducted at Bank X by using the Cynefin model developed by IBM. The results from the model were interpreted to measure total customer experience. The researcher again emphasises that the results obtained from including this model in the study demonstrate that customer experience can be measured qualitatively in real time. It is supporting the one secondary objective of the study, namely "determining whether customer experience in a retail banking environment can be measured qualitatively and quantitatively" as stated in paragraph 5.3.2.

Against the background of the Cynefin model described in paragraph 6.3.2, 530 customer stories were received from 26 branches in urban and rural areas in different provinces. Customer-facing staff and management also submitted stories. The research results provided an image of customer experience from three different perspectives, namely the view of the customer, the view of front-line staff, and the view of management. The stories were analysed and issues that can be addressed immediately were revealed. These issues represent realities the organisation has to deal with. The information can be used productively to address customer needs and make a significant difference that customers can see and experience.

The following 17 issues were identified from the stories obtained in the Bank X:

(i) Branch layout and signage
(ii) Identification/no consultation/good branches too busy, becoming poor branches

(iii) Double payments/technical problems/approval/inconsistent requirements/ staff inefficiencies/interest rates too high/computer offline

(iv) Best rate/good service

(v) Decision making/product knowledge

(vi) Ineffective instruction/too frequent changing of staff/change management/ autocracy

(vii) Long queues/waiting period/escalation of issues wasting customer time

(viii) Problem solving/temper

(ix) Proactive service

(x) Staff dishonesty in bank/no trust/difficult people

(xi) Building social mentality

(xii) Password/website/internet banking/telephone banking/internet charges

(xiii) Floor services

(xiv) Time management/time/poor service/no queue for deposits/day before long weekend/tracking customer volumes/Friday wages

(xv) ATMs/no money/customer-friendly machines/absence of ATM in city centre after hours

(xvi) High risk/safety/security/lack of security outside bank

(xvii) Branch autonomy/personal relationship.

The above issues offered a good idea of the problems and positive aspects customers experience during interaction with the bank. Some of these issues were addressed immediately by the relevant business units. Other issues were analysed further to identify the root causes of problems. Finding solutions for addressing these issues led to changes in customer experience that were determined via the quantitative measurement process (the ISM framework).

Addressing the identified issues represents the short-term, “quick fix” part of the process. The actual value obtained from the model is the identification of themes, values and archetypes and being able to address these elements to effect sustainable change in customer experience.

7.3.1 Analysis of themes

As mentioned in paragraph 6.3.2.4, the outputs of the Cynefin model are themes, values and archetypes. In the example of Bank X, the stories of customers, front-line staff and managers were analysed. The following themes were identified:

(i) Themes identified from customer stories

- Banking accessibility
- Poor service/management
- Safety
- To be informed

(ii) Themes identified from front-line staff stories

- Good-quality service
- Dissatisfied customers
- Competent and efficient staff
- Loss of income/growth
- Poor service
- Staff responsibility
- Confused communication
- Staff integrity

(iii) Themes identified from management stories

- Customer experience
- Lost or gained sales opportunities
- Disempowered staff
- Perceived negative climate
- Inefficiencies
- Customer retention
- Market perception

- Financial impact.

From the three sets of themes listed above it is clear that the customers have a need for the basics to be in place, namely easy access, safety and good service. The front line staff also identified basic service as important, but emphasise their own responsibility and integrity. Management identifies internal process related matters such as opportunities and perceptions of the market, retention and financial impact.

The first very important observation based on the above results is the vast difference between the themes from customer stories, the stories of front-line staff and those from management. Customer experience is perceived differently by staff. In view of the fact that staff experience gives rise to customer experience, this difference has to be addressed urgently.

There is a strong correlation between the themes identified from the stories and the themes identified via the ISM results, specifically in terms of service needs (see Tables 7.1 to 7.3). For example, themes identified from the ISM results included having “a respectful and friendly manner” (Table 7.1), “demonstrating skill, knowledge” (Table 7.1), dealing with customers “in a respectful and professional manner” (Table 7.3), “delivering high-quality service” (Table 7.3), and correlated with the themes listed above.

7.3.2 Analysis of values

The Cynefin framework provides themes, values and archetypes as outputs as described in paragraph 6.4.2.5. In this example from Bank X, the stories of customers, front-line staff and managers were analysed.

The following values were identified from the stories told by customers, front-line staff and management:

(i) Values underlying stories from customers

- To be educated
- To be empowered
- Strong partnerships (between customer and bank)
- Patience
- Ensuring secure environment

(ii) Values underlying stories from front-line staff

- Change mind-set and attitude
- Honesty
- Pride
- Motivation
- Take ownership

(iii) Values underlying stories from management

- Honesty and integrity
- Inwardly focused and egocentric (focus on internal processes and issues)
- Being real
- Nurture people (internally and externally)
- Loss of responsibility and accountability
- Sense of worth.

The values identified from the stories of front-line staff and management are internally focused (of importance to the staff and their internal needs and issues) and aligned to the general values of Bank X. The values identified in the customers' stories are very different from the values identified by the staff and management and emphasise again, as in the case of the themes in paragraph 7.3.1, the basic needs required by customers. This finding can be related to the basic service needs in the ISM framework.

The message from this exercise is therefore that “the basics should be right”. Customers do not need complex solutions; they want their basic needs to be addressed. These customer values can be addressed through direct action in terms of education, safety, accessibility, choice and partnering. If these requirements are met, the measurement of basic service needs via the ISM will show changes in customer scores.

7.3.3 Analysis of archetypes

The Cynefin framework provides themes, values and archetypes as outputs as described in paragraph 6.4.2.3. In the example from Bank X, the stories of customers, front-line staff and managers were analysed.

A team of experts identified the implied archetypes in the stories by customers, front-line staff and management. By visualising the archetypes, it is much easier to associate with them and understand the implications of a certain archetype.

The following archetypes were identified from the stories told by customers, front-line staff and management:

(i) Archetypes from customer stories
  - Speedy mechanic
  - Poisonous black mamba
  - Inspiring coach
  - Mother Teresa
  - Jekyll and Hyde
  - Drunken hobo

(ii) Archetypes from customer-facing staff stories
  - Mother Teresa
  - Bad apple
  - Star employee

- Innovative role model
- Angry unhappy customer
- Outstanding manager
- Yuppie customer
- Affluent customer
- Excellent team player
- Lady Di
- Faceless information spy
- Conservative credit manager
- Golden oldies

(iii) Archetypes from management stories

- Raging bull
- Model citizen
- Good friend
- Stressed Eric
- Red-tape Ronny
- Invisible hoverers

The archetypes identified above describe the characters associated with customer experience through the eyes of customers, front line staff and management.

When the results of a research exercise can be visually shown, it is easier to understand and to associate with the results. This is true of the archetypes developed for the Cynefin results. The archetypes were drawn as cartoon characters and the pictures distributed to front line staff.

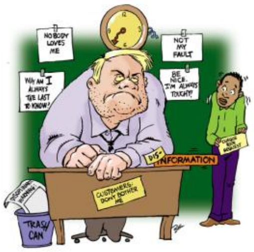
Figure 7.15 contains examples of the archetypes depicted by the cartoon artists.

Faceless
information spy

Conservative
credit manager

Outstanding
manager

Mother Teresa



Bad apple

Star employee

Innovative role model

Excellent team
player

Model citizen

Good friend

Red-tape Ronny

Faceless hoverer

Stressed Eric

Raging bull

Stressed Eric (note that this is a dual archetype)

Angry unhappy customer

Golden oldies

Lady Di

Affluent Customer

Yuppie customer

Figure 7.15: Archetypes

In conclusion, it is clear from the methodology and results shown in paragraph 7.3 that adding a qualitative measurement approach to the quantitative approach provides a much richer picture of the customers’ experiences with an organisation because emotions and feelings are incorporated.

7.4 SUMMARY OF CUSTOMER EXPERIENCE MEASUREMENT RESULTS (QUANTITATIVE AND QUALITATIVE) AT BANK X

It is evident from the analysis of the research results in paragraphs 7.2 and 7.3 that customer experience is a holistic concept with many dimensions, namely service needs, attitudinal, behavioural and loyalty and elements, namely people, culture, strategy, measurement, channel approach, customer expectations, marketing and brand, processes and customer service as described in paragraph 4.4.2. It should therefore be measured by using a holistic approach.

Qualitative as well as quantitative measurements are necessary because a figure or score cannot explain the emotions that accompany an experience (see the definition of customer experience in paragraph 4.4). Qualitative research depicts something of the emotional side of the experience, in this case by using a story-telling method.

It is also important to measure quantitative data holistically and this was done by means of the different levels of measurement in the ISM framework. At the service needs level, all the elements customers consider basic in their interaction with a retail bank (ie hygiene factors, interaction, outcome, advisory, value adding and one-on-one) were measured. The score of each of these elements clearly indicates customers’ priorities or what drives “good service” in their minds. These scores vary significantly for different segments. The result in Figure 7.1 is a total group score, indicating to the organisation that different segments have different needs, expectations and experiences.

At the attitudinal level, the results indicate more than basic needs. Some emotions are beginning to show, and the quality of the organisation, its customer- focused approach, its reputation and its brand now come into play.

The third level in quantitative measurement is behavioural data. This information is crucial to the organisation with respect to customer acquisition and customer retention as described in pargraph 4.6.4.2.

Value is added by the results from the driver model and the loyalty model as these results provide a more comprehensive picture of the total customer experience.

The qualitative measurement through the Cynefin framework adds a “personal” touch to the numbers obtained through the ISM framework. It adds the emotions and feelings of customers leading to a measurement of the total customer experience.

7.5 DEFINING A DIFFERENTIATED CUSTOMER EXPERIENCE

It is clear from the research results described in paragraphs 7.2 and 7.3 that customer experience in the retail banking environment should be approached holistically. A differentiated customer experience would incorporate all the elements described in paragraph 4.4 to represent a holistic experience.

The basic service needs of customers should be satisfied positively by the experience of obtaining products and services through an acceptable delivery channel. This experience should elicit attitudes and behaviours that will persuade customers to remain loyal to the organisation and recommend it to others.

The organisational brand plays a critical role in customer experience and has a direct bearing on the customer’s attitude and behaviour.

If the customer experiences the organisation as customer-focused, delivering a high-quality product and service that reflect positively on its reputation, the experience will drive future customer behaviour.

7.6 CONCLUSION

Two research methodologies, namely quantitative and qualitative, two frameworks namely ISM and Cynefin, and a real-time example in a retail bank over a two-year period were described in this chapter.

The quantitative measurement method, the ISM framework, was developed to measure total customer experience for the first time. The outcome is a comprehensive result that can be utilised to make changes and to build on existing positive experiences. The qualitative measurement method, the Cynefin framework, was successfully used in a customer experience context.

Results obtained provide specific recommendations on how to fix challenges and maintain strengths. A differentiated position in terms of customer experience can underpin a successful organisational strategy for sustainable customer experience.

In the next chapter the results described in this chapter will be linked to the initial research problem, objectives and propositions of the study and the findings formulated.

CHAPTER 8

LINKING THE MEASUREMENT FRAMEWORKS AND LITERATURE STUDY WITH THE RESEARCH OBJECTIVES AND PROPOSITIONS

You cannot create experience. You must undergo it.

(Albert Camus in Zikmund and Babin, 2007:194).

8.1 INTRODUCTION

This study was based on primary and multiple secondary objectives described in paragraph 1.3.

This chapter contains all the findings linked to the research propositions as described in paragraph 5.4 and the primary and secondary objectives. The propositions described in paragraph 5.4 were substantiated according to the literature studies described in Chapters 2 to 4. In this chapter the propositions are further substantiated through the measurement framework results obtained and described in Chapter 7. The researcher will provide evidence that supports or does not support the propositions and discuss whether or not the research objectives have been achieved.

Measurements were carried out from both a quantitative and a qualitative point of view through two measurement frameworks, described in paragraph 6.4. Both results illustrate differentiated customer experience and illustrate through benchmarking that focusing on total customer experience has an impact on customer attitudes and behaviours. The intended result is loyalty and advocacy, which in turn promote customer acquisition and retention, giving rise to increased profitability.

8.2 LIST OF MAJOR FINDINGS

The following major findings are derived from the study. Each finding is substantiated by the literature and empirical research conducted in the study and linked to the propositions as formulated in paragraph 5.4 in Chapter 5.

8.2.1 Major finding 1

Various differentiators in the retail banking environment were developed over time. Customer experience has the potential to be the current strategic differentiator and comprises a variety of elements that served as differentiators in the past.

This finding is substantiated through the literature review in paragraph 2.4 in Chapter 2 where the evolution of differentiation in retail banking depicts the various differentiators developed over time in retail banking. In paragraph 4.6 in Chapter 4 the researcher investigated possible differentiators such as product, price and service within the retail banking context. Paragraph 4.6.4.2 depicts customer experience as differentiator and illustrates through a literature study that a total customer experience includes product, price and service.

This major finding is linked to propositions 1 and 2 as formulated in paragraph 5.4 in Chapter 5.

8.2.2 Major finding 2

Differentiation in retail banking is of strategic importance and is approached in a systemic manner. Total customer experience should therefore be analysed and understood to determine interrelationships between the elements of the experience within a services marketing context.

This finding is substantiated through the literature review in paragraph 4.4.2 in Chapter 4 where the researcher depicted the elements of a total customer experience. These elements are interrelated as they all support different aspects of differentiation during the total customer experience. The researcher also compared the elements of a total customer experience with the 7Ps of the marketing mix within a services marketing context in paragraph 4.4.2.9 and concluded that the 7Ps are all incorporated into the elements of the total customer experience.

Proposition 4 as formulated in paragraph 5.4 in Chapter 5 is linked to this finding.

8.2.3 Major finding 3

Customer experience is a current relevant strategic differentiator in retail banking in South Africa.

This finding is substantiated through a literature review as illustrated in paragraph 2.2.2.2 in Chapter 2. The finding is further substantiated through the quantitative research conducted through a measurement framework that included a benchmark of each attribute in the framework for the four large retail banks in South Africa. The framework and benchmark results are illustrated in Figure 7.1 in Chapter 7.

The strategic differentiator of a total customer experience will be sustainable in one retail bank until a competitor manages to obtain the same differentiation. The next differentiator will then become relevant. Therefore customer experience is a *current* relevant strategic differentiator.

8.2.4 Major finding 4

Customer experience has evolved since the 1980s, from a focus on service quality to focusing on customer service in the 1990s and on total customer experience since 1999.

The researcher substantiated this finding through a literature study on the evolution of customer experience from service quality during the 1980s through customer service in the 1990s to the concept of customer experience being relevant in the banking industry since the late 1990s in paragraph 4.3.2 in Chapter 4.

8.2.5 Major finding 5

Customer experience differs from customer service, mainly due to the inclusion of the human factor in the form of emotions and behaviour.

This finding is substantiated through the development of the measurement framework which measures the total customer experience on three levels, namely service needs level, attitudinal level and behavioural level as illustrated in paragraph 6.4.1.5 and Figure 6.3 in Chapter 6. The researcher depicts the measurement approach to customer service in paragraph 6.2 and illustrates the evolution of measurement from service needs to more levels as demonstrated in the integrated service measurement (ISM) framework.

This finding is linked to proposition seven as formulated in paragraph 5.4 in Chapter 5.

8.2.6 Major finding 6

Customer experience can be measured quantitatively and qualitatively. The results of the measurement provide guidelines for action the organisation should take to maintain or improve customer experience.

This study includes a quantitative measurement framework that was developed to measure the total customer experience and a qualitative measurement framework developed by IBM and applied in a retail banking environment. The utilisation of both frameworks is substantiated in paragraphs 7.2 and 7.3 in Chapter 7 with results from the application of the frameworks populating reports that organisations can utilise to improve on customer experience.

Proposition 6 as formulated in paragraph 5.4 in Chapter 5 is linked to this major finding.

8.2.7 Major finding 7

Customer experience underpins loyalty and advocacy which lead to profitability through customer acquisition and retention.

This finding is substantiated through the results of the loyalty model which is included in the quantitative measurement framework, showing the loyalty of customers who had positive customer experiences. The services profit chain as illustrated in Figure 9.2 illustrates that loyalty leads to profitability.

8.3 RESEARCH PROPOSITIONS

The research propositions for this study were presented in paragraph 5.4 in Chapter 5 with evidence in support of each proposition from the literature studies as depicted in Chapters 2, 3, 4 and 6. Below the researcher provides additional evidence through the measurement frameworks to further substantiate propositions 6 and 7 and indicate which major findings support which propositions.

Proposition 1

P1: Various possible differentiators exist in retail banking, of which the key ones are product, price, service and customer experience.

This proposition was substantiated in paragraph 5.4.

Major finding 1 as described in paragraph 8.2.1 supports this proposition.

Proposition 2

P2: Customer experience has the potential to be the strategic differentiator in retail banking.

Qualitative and quantitative research was conducted to prove that total customer experience can be measured in a retail banking environment and that it adds value to both the customer and the retail bank as depicted in paragraphs 7.2 and 7.3 in Chapter 7.

Major finding 1 as described in paragraph 8.2.1 supports this proposition.

Proposition 3

Customer experience evolved from the concepts of service quality and customer service.

Customer experience as a holistic concept includes customer service as an element. The quantitative measurement framework as illustrated in Figure 6.3 includes service needs as a first level of measuring customer experience, but was expanded to include two more levels through which the behaviour of customers is measured.

Major findings 1, 4 and 5 as described in paragraphs 8.2.1, 8.2.4 and 8.4.5 support this proposition.

Proposition 4

P4: Customer experience is a holistic concept of a systemic nature.

Proposition 4 was substantiated in paragraph 5.4.

Major findings 2 and 5 as described in paragraphs 8.2.2 and 8.2.5 support this proposition.

Proposition 5

P5: Customer experience is the current strategic differentiator. It encompasses the previous differentiators, namely product, price and service.

Proposition 5 was substantiated in paragraph 5.4.

Major findings 1, 2 and 5 as described in paragraphs 8.2.1, 8.2.2 and 8.2.5 support this proposition.

Proposition 6

Customer experience can be measured qualitatively and quantitatively in a retail banking environment.

Measurement frameworks were developed to measure total customer experience in a retail banking environment quantitatively and quantitatively as illustrated in paragraphs 6.4.1 and 6.4.2 in Chapter 6. Evidence was presented in Chapter 7 in paragraphs 7.2 and 7.3 that a total customer experience can be measured in a retail bank. Initial research on the concept of a total customer experience through a literature study provided the content to the measurement framework. Evidence was presented in paragraphs 4.3, 4.4 and 4.6 in Chapter 4.

Major finding 6 as described in paragraph 8.2.6 supports this proposition.

Proposition 7

Measuring customer experience is more than satisfaction measurement as the measurement includes behavioural and attitudinal elements as well as customer emotion.

Satisfaction measurements measure the level of service a customer receives during interaction as stated through literature study in paragraph 6.2. Measurement of the behaviour and attitude of the customer was added in the customer experience measurement framework. The integrated service measurement (ISM) framework provided evidence of the value of moving beyond a satisfaction measurement as seen in the results obtained in paragraph 7.2.

Major finding 7 as described in paragraph 8.2.7 supports this proposition.

8.4 RESEARCH OBJECTIVES

The primary and secondary objectives of the study were listed in paragraph 1.6. The initial achievement of the objectives through the literature studies was substantiated in paragraph 5.3. After illustrating the measurement of customer experience through a quantitative and a qualitative measurement framework in Chapters 6 and 7, the researcher now substantiates the research achievement of the objectives.

8.4.1 Primary objective

The primary objective of this study was *to investigate whether customer experience as a strategic differentiator would provide a competitive advantage in retail banking.*

This study utilised a variety of research methods (i.e. literature studies, qualitative research and quantitative research) in an exploratory manner to analyse and understand customer experience as a concept and strategic differentiation as a strategic approach.

According to the literature, customer experience is a holistic concept with various elements, and its nature is systemic. In view of the description in Chapter 4, customer experience clearly serves as a probable strategic differentiator.

The researcher added a step by investigating customer experience from another vantage point. Qualitative and quantitative research methodologies were developed to measure total customer experience. Firstly, customer experience can be measured, and secondly the result provides an opportunity to the organisation to determine its differentiation capacity.

Customer experience was also investigated in terms of the value both the customer and the organisation gain through customer experience as a strategic differentiator.

The researcher therefore succeeded in achieving the primary objective of the study: customer experience is a strategic differentiator and will give one retail bank a competitive advantage over its competitors.

8.4.2 Secondary objectives

The secondary objectives of the study, formulated in Chapter 1, paragraph 1.3, are discussed below to determine whether they have been achieved.

(a) *Investigate alternative differentiators in retail banking and show by means of literature studies that customer experience is the key differentiator.*

This objective was achieved through a literature study. Retail banks have identified several differentiators in the past, for example product, price and service as depicted in paragraph 2.4, but none of these presented a clear differentiation or a competitive advantage. Customer experience evolved as a holistic concept that encompasses all other potential differentiators as elements of the concept, and it provides a competitive advantage to retail banks.

(b) *Determine whether customer experience in a retail banking environment can be measured qualitatively as well as quantitatively.*

The study included a quantitative research framework that was developed by the researcher and a team of strategic partners as demonstrated in Figure 6.3. A qualitative research framework developed by IBM was used to measure total customer experience in a retail banking environment. The results and validity of the measurement frameworks were described in Chapter 7, paragraphs 7.2 and 7.3.

(c) Investigate the outcome of customer experience measurement and determine whether it adds value to the strategy and planning of a retail bank.

The results obtained from the quantitative and qualitative measurement frameworks were discussed and interpreted for the organisation as a whole and for specific strategic business units and geographical areas. Very specific feedback was obtained and presented to management for organisational planning and improvement. The framework utilised for presenting the results and actions is illustrated in Figure 6.12 in Chapter 6.

8.5 CONCLUSION

This chapter provided a summary of all the major findings in this study.

The research propositions were discussed and evidence was provided to support or not support each proposition. The primary and secondary research objectives were achieved.

The next chapter contains a final conclusion and recommendations for the application of the main findings. The limitations of the study and opportunities for further research are also mentioned.

CHAPTER 9

FINAL CONCLUSION, LIMITATIONS, AND RECOMMENDATIONS FOR FUTURE RESEARCH

Great customer experiences are a source of long term competitive advantages (Shaw, 2005:11).

9.1 INTRODUCTION

In the previous chapter the major findings were identified and the research objectives and propositions were reviewed. The researcher indicated which major findings support which propositions.

This study investigated customer experience as a strategic differentiator in a retail banking environment. Evidence was provided from the literature and measurement frameworks that customer experience becomes a strategic element that differentiates one organisation from its competitors. This study further illustrated the critical importance of this differentiation in a strong, competitive retail banking industry in South Africa. However, the theory depicted in this study can be applied to any service-related industry.

This final chapter focuses on conclusions, limitations and recommendations by referring to the objectives, propositions and main findings.

9.2 LINKING THE PRIMARY AND SECONDARY OBJECTIVES, PROPOSITIONS AND FINDINGS OF THE STUDY

The primary objective (paragraph 1.3.1) and the secondary research objectives (paragraph 1.3.2) were all achieved as shown in Table 9.1 below through linking the objectives to the propositions and major findings.

Table 9.1: Link between primary and secondary objectives, propositions and major findings

Objectives	Propositions	Major findings
Primary objective Investigate whether customer experience as strategic differentiator would provide a competitive advantage in retail banking	1, 2, 3, 4, 5, 7	1, 2, 3, 4, 5, 6
Secondary objectives		
(a) Investigate alternative differentiators in retail banking and show by means of literature studies that customer experience is a key differentiator	1, 2, 5	1, 2, 3
(b) Determine whether customer experience in a retail banking environment can be measured qualitatively as well as quantitatively	6	6
(c) Investigate the outcome of customer experience measurement and determine whether it adds value to the strategy and planning of a retail bank	4, 7	6, 7

Source: Author's own

Table 9.1 illustrates that the primary and secondary objectives initially set in the study were all achieved through providing evidence as formulated in the propositions and major findings of the study.

9.3 FINAL CONCLUSION ON CUSTOMER EXPERIENCE AS DIFFERENTIATOR IN RETAIL BANKING

9.3.1 Differentiation in retail banking

A literature study was carried out in Chapter 3 to explore “strategy” and “strategic differentiation”. Potential differentiators in retail banking were determined in paragraph 2.4. The most important differentiators that evolved over time were product, price and service. The importance of these differentiators varied over time. Pressure of legislation and regulations made it difficult to drive some of these differentiators. Other potential differentiators in retail banking were analysed, such as people, processes, technology and delivery channels.

It was clear from the literature in paragraph 2.4 that the only way retail banks could differentiate themselves from competitors was through total customer experience - focusing on the total or holistic approach. This implied that the differentiators mentioned before became elements of the total customer experience. Realisation of the importance of the behaviour and attitudes of customers brought about a new approach to differentiation.

A retail bank cannot approach differentiation in a linear manner, offering a differentiated product, then determining a differentiated price, then delivering the product through a differentiated channel. All these elements of retail banking form part of the experience a customer has when dealing with a bank. The total experience and its various elements (paragraph 4.4) all play a role in a customer’s decision to use one retail bank instead of another.

Main finding 1: Differentiation is of strategic importance in retail banking as it leads to a sustainable competitive advantage. This main finding is supported by major findings 1, 2 and 3 as depicted in paragraph 8.2 in Chapter 8.

9.3.2 Customer experience as strategic differentiator in retail banking

This study investigated customer experience from two different perspectives.

9.3.2.1 First perspective

The first perspective on customer experience as a strategic differentiator came from the literature. Many books and articles have been written since 1999 on how customer experience as a strategic differentiator can provide a competitive advantage. The concept of strategic differentiation is described in paragraph 2.3 of this study.

9.3.2.2 Second perspective

The second perspective on customer experience as a strategic differentiator was developed by measuring customer experience in a retail bank. The results were discussed in Chapter 7 and illustrated in Figure 7.1.

The service profit chain depicted in Figure 9.2 below shows direct links between profit and growth; customer satisfaction and loyalty; the value of services and goods delivered to customers; employee satisfaction and loyalty and productivity in every service organisation.

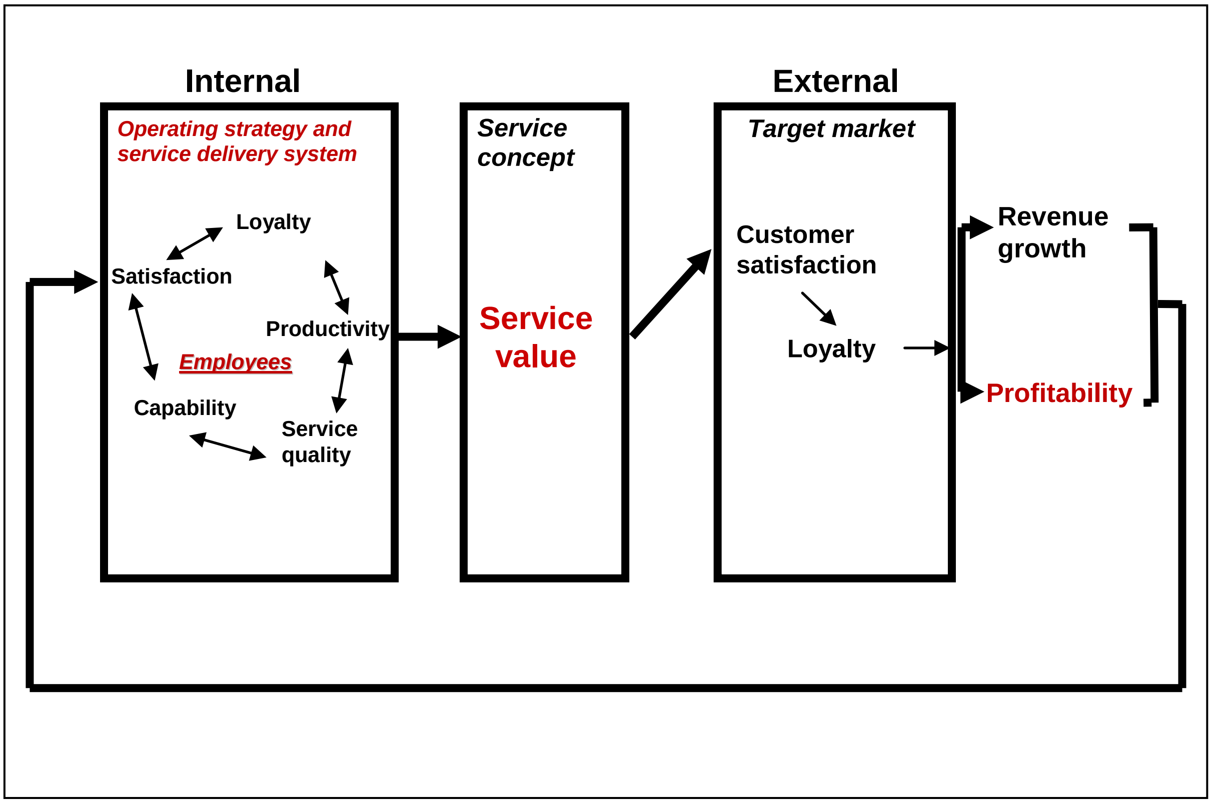


Figure 9.1: The service profit chain

Source: Adapted from Heskett, Sasser & Schlesinger, 1997: 19

The key attributes of a world-class retail bank (developed by the Council on Financial Competition, 2006) were described in Chapter 2 and also appear in Appendix A to this report.

The attributes of service excellence ("how to keep customers") are continuous service improvement, customer-focused service, integrated multichannel distribution and channel planning.

The attributes of distinctive offers ("how to get customers") are brand clarity, optimised channel resources, customer experience, customer communication and product purchase.

Main finding 2: Customer experience can be a strategic differentiator in retail banking. This main finding is supported by the major findings 1 to 8 in paragraph 8.2 in Chapter 8.

9.4 MANAGERIAL IMPLICATIONS OF THE STUDY

This study was conducted in the retail banking environment which utilises specific business models, management strategies and structures. If a retail bank uses customer experience as its strategic differentiator, its management will apply and manage this strategy by means of tactical and operational plans.

The following management implications arise from the study:

- Managers in a services-related organisation must have an in-depth understanding of customer experience as a concept.
- Managers in a customer experience-oriented organisation must have a very good understanding of the needs, behaviours, expectations and experiences of the organisation's customers.
- A customer experience orientation must be part of the management's "way of work".
- All management strategies and plans in a services-related organisation must be customer-centric.
- Managers have to follow a measurement approach to customer experience to measure and monitor total experience in their specific areas of responsibility.
- Managers should translate the outcomes of customer experience research into specific actions for dealing with customers.
- Managers have to create appropriate staff experiences in their areas of responsibility.
- Managers should apply the integrated services measurement framework in their areas of responsibility. The results could be incorporated into the balanced scorecard or other monitoring system in the particular business area.

- Managers can utilise the qualitative measurement framework to understand the staff view of customer experience.

9.5 LIMITATIONS OF THE STUDY

The researcher has formulated the following limitations:

(i) The literature on retail banking in a South African context is limited.
(ii) The literature on customer experience as a concept in the retail banking environment is limited. Literature is available on the concept in general and in the services industries in general.
(iii) The empirical study was limited to the retail banking industry in South Africa.

9.6 RECOMMENDATIONS

The researcher recommends that the following two areas be researched further as an outflow from the findings in this study.

9.6.1 The next differentiator

The researcher described the evolution of customer experience from service quality through customer service to the holistic concept of customer experience. It is clear from the literature studies that customer experience is currently a strategic differentiator in services orientated industries.

Research should be conducted on the next relevant differentiator in services industries. The researcher recommends that customer value be researched as a possible next differentiator.

The following aspects about value to the customer and the organisation were obtained from the literature study:

(i) Customers do not buy products and services. They buy value - the total package of product performance, access, experience and cost. Organisations that understand how customers define value across these dimensions consistently achieve long-term profitable growth (Kothari & Lackner, 2006:243).

(ii) Value in its broadest sense may be described as "beliefs that are shared by the community and provide guidelines for how they would think, act and feel in a given situation" (Cant, et al., 2002:28).

(iii) Buyers' perceptions of value represent a trade-off between the perceived benefits of the service and the perceived sacrifice in terms of cost. Total cost to the customer includes more than the monetary price paid for the service. Other costs include time costs, energy costs and psychic costs reflecting the time and trouble the customer has to expend to acquire the service. Similarly, total customer value extends beyond product value and includes service value, personnel value and image value (Hoffmann & Bateson, 2001:166).

(iv) Shaw (2007:4) discovered through ground-breaking research in the UK and the USA that every organisation has a previously undetected "emotional signature" embedded in its customer experience and that it affects value generation. This signature is unique to every organisation and can be one of the underlying reasons for good or poor revenue performance. There is, therefore, an empirical link between evoking certain emotions and increasing or decreasing revenue.

(v) Value in an organisational or marketing context has three distinct meanings, namely price value, customer value and strategic value. Customers who buy products and services receive functional benefits (inherent to the product or service), social benefits (what customers want and that influence their decision making), personal benefits (inherent feelings of goodwill and satisfaction with the product or service), and experiential benefits (from using the product or service) (Cant, et al., 2002:29-31).

(vi) The "right" customer will derive value from faster deployment, seamless operations, a focus on core activities, fewer up-front costs, reduced support costs and decreased use of internal resources (Kumar, 2004:62-63). Solution providers create customer value by (a) helping customers increase revenue, (b) assuming customer risk and responsibility for part of the business, or (c) reducing the total consumption cost to the customer. Although powerful solutions are successful in all three dimensions, most solutions have one of these dimensions as primary motivation.

(vii) Customer value is created when customers' needs and wants are fulfilled. Customer value may be defined as "the difference between all the benefits derived from a product and all the costs of acquiring those benefits" (Cant, et al., 2002:30).

(viii) Value for an organisation is described as "that which the buyer is prepared to pay for the product or service" (Cant, et al., 2002:30). Strategic value is defined as the process of meeting or exceeding the customer's expectations pertaining to product, service and cost (Cant, et al., 2002:30).

(ix) An organisation may decide on a differentiation, a focus or a low-cost strategy to create value for its customers. A differentiation strategy would imply providing a product or service that is completely different from any other. Customers would feel that they have bought a unique product and experience a sense of value. A focus strategy would mean that the organisation serves only a small segment of the population and in this way provides exclusive value to its customers. A low-cost strategy would add value because customers pay less for the product than they expected (Cant, et al., 2002:30-31).

The most widely recognised understanding of value for customers is in the area of price value.

(x) Cant, et al. (Cant, et al., 2002:31) state that the concept of adding value for the customer is widely discussed in the literature on customer behaviour but sometimes incorrectly interpreted. The only way to determine whether value has been added to the product or service the customer bought is to measure it. This implies finding out what value the customer expected from the product or service, developing a strategy to deliver this value to the customer, and measuring whether the customer's expectations have been met or exceeded.

(xi) The focus of customer relationship management has evolved from customer satisfaction to creating value for the customer. In a model of value creation, customers are viewed as active participants in the value chain and not just recipients of goods and services. This means that organisations require a strategy that creates a unique view of customers from the perspectives of operations, analytics and collaboration along the entire customer relationship management value chain. An integrated business model is required that ties together business organisations, processes, information and technologies.

Customer relationship management is a management approach that seeks to create, develop and enhance relationships with carefully targeted customers in order to maximise customer value, corporate profitability and therefore shareholder value (Payne, 2000:2-4).

(xii) Payne (2000: 2-4) argues that the value the customer receives from the supplier organisation is the total package of benefits derived from the "core product" and "product surrounds", or the added values that enhance basic features such as service and support. The value the customer attributes to these benefits is in proportion to the perceived ability of the offer to solve whatever customer problem prompted the purchase. This value may be calculated by utilising the value proposition concept and undertaking a value assessment - importantly, working from a customer perspective. There is acceptance of the need for a trade-off between delivering and extracting customer value.

Incorporating the customer's viewpoint throughout the organisation is the essence of customer value management. The customer value management approach is designed to balance the demand for services and products with an infrastructure that is customer-centric, productive and profitable (Payne, 2000:2-4). This author says that customer value cannot be reduced to functionality versus price. Customer value is composed of both the functional and emotional benefits customers receive minus the financial and nonfinancial burdens they bear.

9.6.1.1 Types of value

Shaw (2007:121-122) argues that different types of value, ultimately founded on customer behaviour, produce revenue gains over time. Four types of value are relevant to long-term revenue growth.

(i) Extrapolated value

The additional revenue that results as an individual customer chooses to continue to do business with an organisation over time.

(ii) Incremental value

The additional revenue that results from individual customers spending more per transaction on average than they have in the past.

(iii) Strategic value

The additional revenue that results from an individual customer buying an organisation's other products and services.

(iv) Social network value

The additional revenue that results from an individual customer influencing others to buy from a particular organisation.

Customer value is the summation of extrapolated, incremental, strategic and social network value.

9.6.1.2 Value to customer and delivery

Value to customer in a retail banking context cannot be separated from the delivery channels through which the interaction between the bank and the customer takes place and where value is added to the customer.

Payne (2000:2) says that the objective of any series of customer interactions will be to both nurture valued customers (enhance bonding to drive long-term benefits) and create customer value (achieve sales).

Nurturing valued customers implies:

- Intimate dealings based on customer knowledge and preferences
- Appropriate and relevant treatment
- Ability to transact how and when it suits the customer
- Joined-up management across all channels and touch points
- A unique proposition that meets customers’ real needs.

Creating value for customers implies (Williams, 2004:7):

- Greater effectiveness through differential treatment according to needs, value, risk, vulnerability and potential
- Right first time/efficient and effective processes/transactions

- Better margins: deeper share of wallet and more products per customer from deeper customer understanding
- More relevant/timely treatment based on key events.

The amount of money organisations spend on managing customer interaction through channels is normally one of the biggest controllable costs outside core product costs. Therefore the best experience is one that is designed to enhance the effectiveness of customer management overall in the short and the long term (Williams, 2004:7).

According to the Operations Council (2006:6-8), operations executives in financial services struggle to find new ways to reduce costs while delivering high-quality service. The concept of lean manufacturing enables institutions to expand existing cost-reduction opportunities while simultaneously creating customer value. Lean manufacturing is a production optimisation methodology that relentlessly seeks out and eliminates activities that do not create value for customers. Its outcomes are characterised by production systems that minimise cycle times, optimise touch times and generate continuous production flows. Organisations need the following capabilities to apply lean manufacturing successfully: a value sceptical lens, uninterrupted operations flow, linking customer value to employee performance, and sustainable transformation.

The Operations Council (2006:6-8) also states that improving and lowering the cost of service delivery and empowering customers to help themselves are key business goals for many organisations. With margins under pressure, Web self-service, multichannel customer service channels and sophisticated consumer products, pressure is increasing to not only automate but to optimise interaction with customers by maximising the value of each interaction.

According to Forrester Research (Forbes, 2006:1), optimising customer experience requires an understanding of user expectations, needs and roles. Delivering an optimal experience for the user and the business requires an understanding of the current and future value of each customer.

In the past, many financial services providers tried to migrate low-value customers and transactions away from resources-intensive channels. Today leading banks view any interaction with a customer as a means of elevating an unprofitable relationship to a profitable relationship, or taking a profitable relationship to the next level. This approach depends on customer insight and the ability to act on this knowledge.

The goal is to improve the financial return on customer relationship management investment by creating an experience that increases customer value and loyalty and builds a differentiated competitive advantage. Innovative products and efficient processes alone are not enough - customer experience across all channels is crucial. Customers with a positive experience are four times as likely to use more products, three times as likely to recommend the bank to others, and far more likely to continue their relationship with the bank (Forbes, 2006:1).

Leavy (2004:10) says that value will in future be interactively co-created by organisations and customers rather than merely exchanged between them. The emergence of more connected, informed and active consumers is transforming the organisation/customer relationship. It is moving from a world in which the view of value creation is organisation-centric and product/service-focused to one that is customer-centric and experience-focused.

9.6.1.3 Value and experience

Leavy (2004:11-12) says that the business world seems marked by two paradoxes: Consumers seem to have more choices that yield less satisfaction, whereas strategists have more options that yield less value. The experience-focused view of value innovation offers a way out. Individual customers seek not so much product variety as experience variety. It is a view that sees a product more as a value portal than a repository.

Leavy (2004:11-12) believes that the growing “disconnect” between the organisation’s view of value and the customer’s view of value is the driver of transformation. The emerging perspective has two building blocks, namely “experience environments” (the locus of innovation) and “experience networks” (the locus of competences). The most fundamental source of value according to this new perspective is the personalised experience of the individual customer and the quality of the interaction between the customer and the organisation. According to this new perspective, an experience network is “the infrastructure for effectively co-creating value through personalised experiences”.

The “shifting locus of innovation” and the “shifting locus of competences” (Leavy, 2004:12) implicit in the co-creation of value paradigm implies that organisations must think again about how to build strategic capital and differentiate themselves in the new competitive landscape. Strategy will no longer be a game of “knowable rules and finite options”. Organisations will have to “rethink the meaning of resources and how access to resources is obtained”. Organisations will have to learn how to design an internal social architecture, enabling managers “to personalise the way they want to experience the organisation, with a focus on co-creating value” (Leavy, 2004:12).

9.6.1.4 Value to customer and loyalty

If value is added to customers through a positive experience or by exceeding customer expectations, the result will be satisfied customers and customer satisfaction usually leads to customer loyalty.

Customer loyalty is crucial to business success, and the relationship between customer loyalty and profitable growth has been proven by industry leaders (Thompson, 2005:1). Four steps may be taken to improve customer loyalty and customer retention, which, if focused on appropriate customers, will improve profitability.

(a) Understand the drivers of loyalty and defection from the customer’s point of view.
(b) Develop a loyalty strategy that focuses on the right customers.

(c) Systematically deliver what customers value.

(d) Implement measurement and reward systems to encourage customer-centric behaviour.

Following these steps will make an organisation more customer-centric, enabling the business to grow faster and earn more money.

Thompson (2005:1-2) states that advocacy is the answer for organisations who wish to increase their margins by driving down sales costs while driving up revenue. Organisations should know who their most profitable customers are and consistently deliver customer experiences that create brand trust. Only then will loyal and highly profitable customers be prepared to recommend the organisation to others. Thompson (2005:1-2) also says that loyal customers are especially valuable in the hospitality, insurance and financial sectors. A small increase in the percentage of loyal customers will ensure a much higher increase in profit and overall value.

Shaw (2007:13) has developed a framework that shows the relationship between value and loyalty and through this relationship the drivers of value (see Figure 9.3 below). There are three clusters that drive value and one cluster that destroys value. The value driver clusters are the attention cluster (which encompasses the emotions that have a proven link to increased customer spending), the recommendation cluster (about gaining customers that will recommend the organisation), and the advocacy cluster (satisfied customers who tell others about the organisation without prompting).

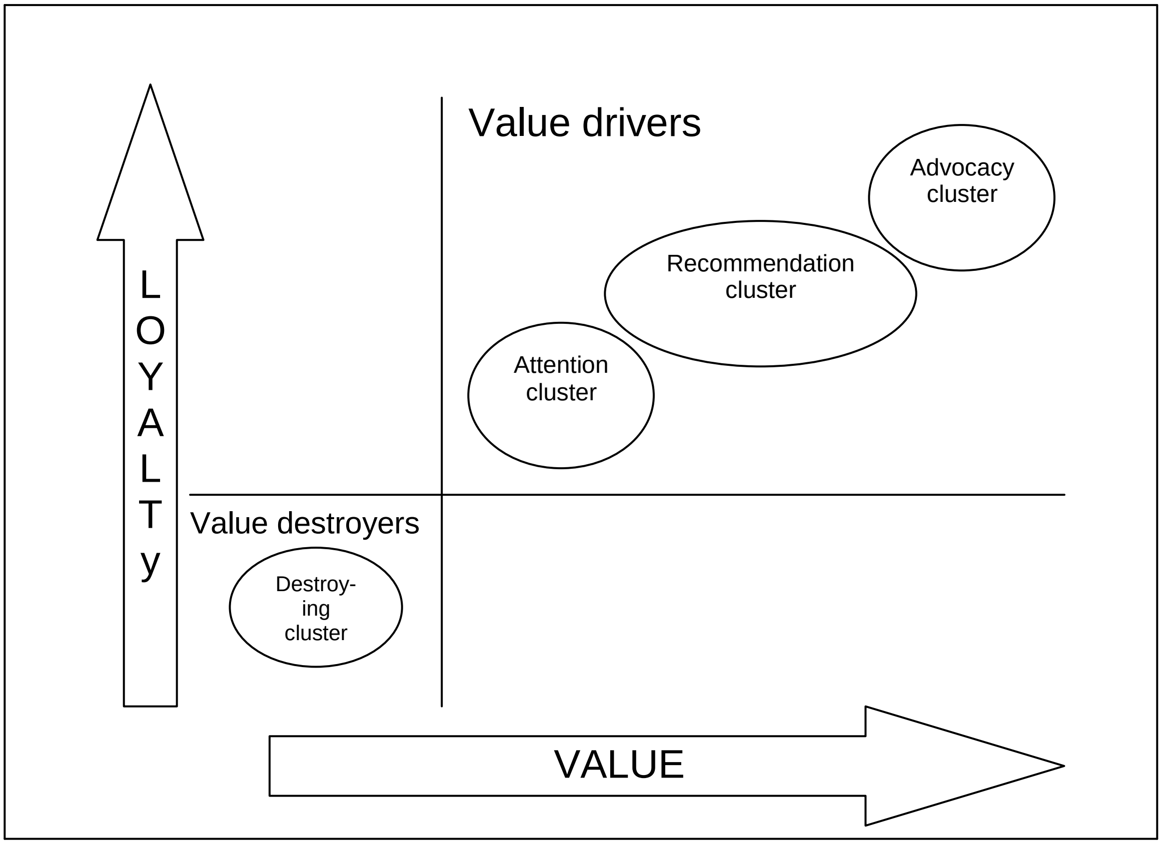


Figure 9.2: Value and loyalty

Source: Shaw (2007:13)

The only value an organisation creates is the value that comes from customers – current and future customers. Product quality, price and service all factor into a customer's purchase decision. However, assuming the organisation is on a par with its competitors, there must be other factors as well. To maximise the return on customers, the organisation must balance current profit from a customer and the long-term change in a customer's value. Return on a customer is maximised at the point where the customer most trusts the organisation as this trust leads to loyalty and advocacy (Peppers & Rogers, 2005:26-27).

9.6.2 Customer centricity versus cost efficiency

In retail banking the challenge is to maintain a balance between customer-centricity on the one hand and cost efficiency on the other hand. Value to the customer improves if interaction with an organisation is experienced as positive. If the organisation delivers this experience effectively, its delivery cost efficiency should be optimal to create value for itself.

The researcher recommends that the value that is added to customers and the organisation through optimal customer experiences be investigated further to determine what the actual value is that customers and the organisation can obtain. The investigation should lead to determining the balance and optimal point between customer centricity (the value to the customer) and cost efficiency (the value of the customer) as illustrated in Figure 9.3 below.

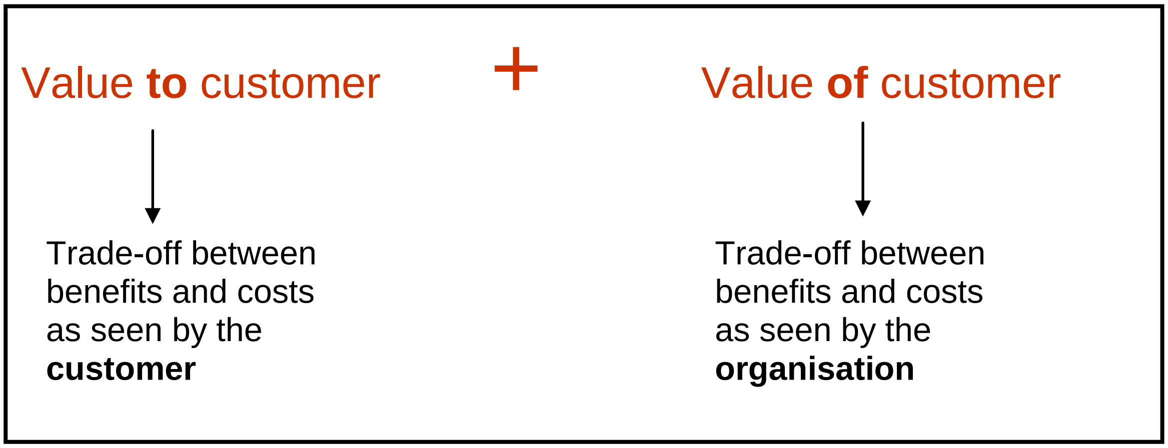


Figure 9.3: Value to and of customer

Source: Author's own

Figure 9. illustrates the importance of creating value to the customer (benefiting the customer) and of the customer (benefiting the organisation).

9.7 CONCLUSION

Customer experience is a strategic differentiator in retail banking. This answers the research question "is customer experience a strategic differentiator in retail banking?" as stated in paragraph 1.2.

A retail bank that can ensure consistently positive customer experiences will most definitely have a sustainable competitive advantage over its competitors. Customer acquisition and retention will also be sustainable in such a bank.

This study provides a potential platform for taking differentiation through customer experience in retail banking and other service related industries to the next level through determining customer value.

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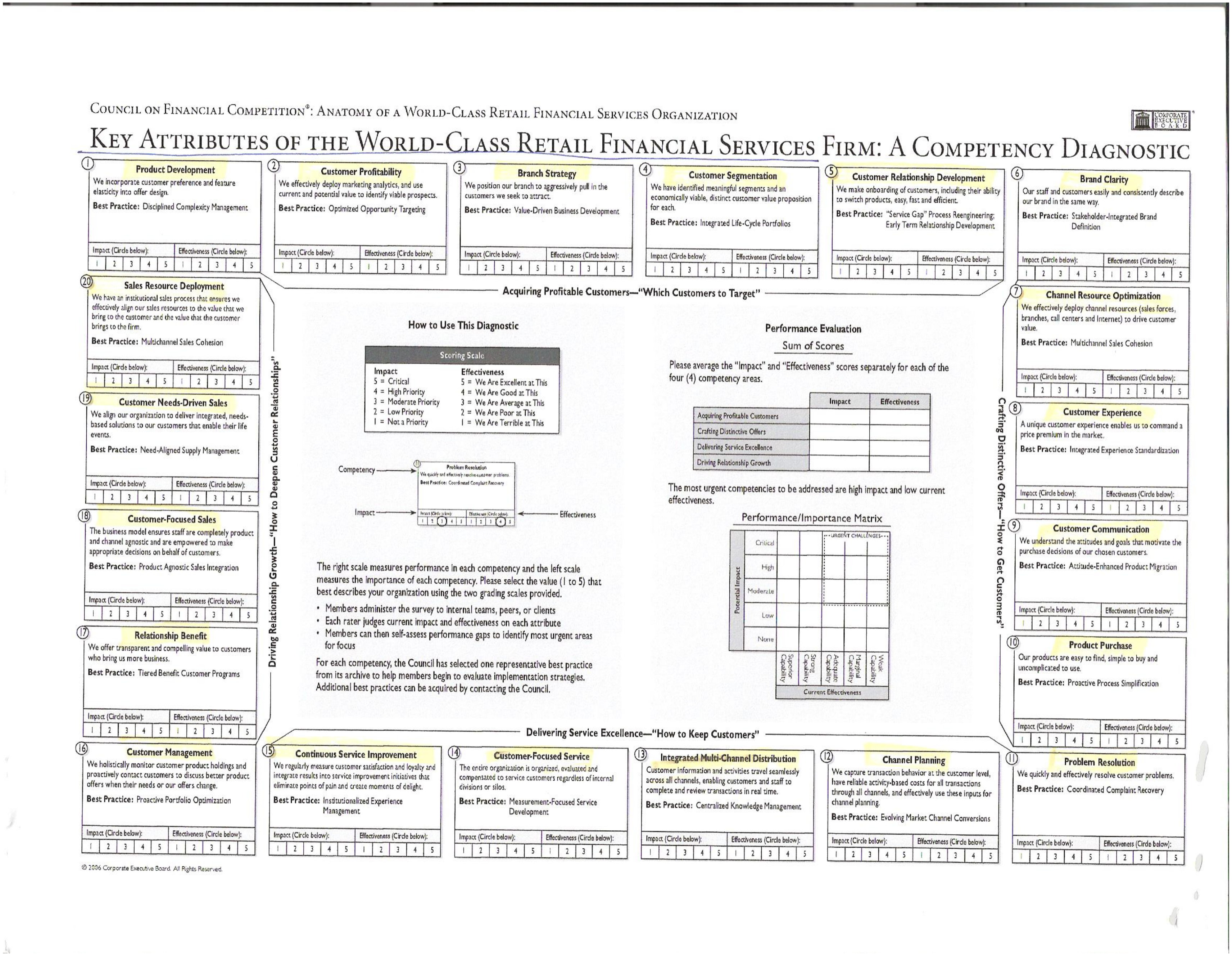
Appendix A:

RETAIL BANKING MODEL (COUNCIL ON FINANCIAL COMPETITION)



COUNCIL ON FINANCIAL COMPETITION®: ANATOMY OF A WORLD-CLASS RETAIL FINANCIAL SERVICES ORGANIZATION

CORPORATE EXECUTIVE BOARD

KEY ATTRIBUTES OF THE WORLD-CLASS RETAIL FINANCIAL SERVICES FIRM: A COMPETENCY DIAGNOSTIC

Acquiring Profitable Customers—"Which Customers to Target"

① **Product Development**
We incorporate customer preference and feature elasticity into offer design.
Best Practice: Disciplined Complexity Management
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

② **Customer Profitability**
We effectively deploy marketing analytics, and use current and potential value to identify viable prospects.
Best Practice: Optimized Opportunity Targeting
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

③ **Branch Strategy**
We position our branch to aggressively pull in the customers we seek to attract.
Best Practice: Value-Driven Business Development
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

④ **Customer Segmentation**
We have identified meaningful segments and an economically viable, distinct customer value proposition for each.
Best Practice: Integrated Life-Cycle Portfolios
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

⑤ **Customer Relationship Development**
We make onboarding of customers, including their ability to switch products, easy, fast and efficient.
Best Practice: "Service Gap" Process Reengineering; Early Term Relationship Development
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

Crafting Distinctive Offers—"How to Get Customers"

⑥ **Brand Clarity**
Our staff and customers easily and consistently describe our brand in the same way.
Best Practice: Stakeholder-Integrated Brand Definition
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

⑦ **Channel Resource Optimization**
We effectively deploy channel resources (sales forces, branches, call centers and Internet) to drive customer value.
Best Practice: Multichannel Sales Cohesion
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

⑧ **Customer Experience**
A unique customer experience enables us to command a price premium in the market.
Best Practice: Integrated Experience Standardization
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

⑨ **Customer Communication**
We understand the attitudes and goals that motivate the purchase decisions of our chosen customers.
Best Practice: Attitude-Enhanced Product Migration
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

⑩ **Product Purchase**
Our products are easy to find, simple to buy and uncomplicated to use.
Best Practice: Proactive Process Simplification
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

Delivering Service Excellence—"How to Keep Customers"

⑪ **Problem Resolution**
We quickly and effectively resolve customer problems.
Best Practice: Coordinated Complaint Recovery
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

⑫ **Channel Planning**
We capture transaction behavior at the customer level, have reliable activity-based costs for all transactions through all channels, and effectively use these inputs for channel planning.
Best Practice: Evolving Market Channel Conversions
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

⑬ **Integrated Multi-Channel Distribution**
Customer information and activities travel seamlessly across all channels, enabling customers and staff to complete and review transactions in real time.
Best Practice: Centralized Knowledge Management
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

⑭ **Customer-Focused Service**
The entire organization is organized, evaluated and compensated to service customers regardless of internal divisions or silos.
Best Practice: Measurement-Focused Service Development
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

⑮ **Continuous Service Improvement**
We regularly measure customer satisfaction and loyalty and integrate results into service improvement initiatives that eliminate points of pain and create moments of delight.
Best Practice: Institutionalized Experience Management
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

Driving Relationship Growth—"How to Deepen Customer Relationships"

⑯ **Customer Management**
We holistically monitor customer product holdings and proactively contact customers to discuss better product offers when their needs or our offers change.
Best Practice: Proactive Portfolio Optimization
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

⑰ **Relationship Benefit**
We offer transparent and compelling value to customers who bring us more business.
Best Practice: Tiered Benefit Customer Programs
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

⑱ **Customer-Focused Sales**
The business model ensures staff are completely product and channel agnostic and are empowered to make appropriate decisions on behalf of customers.
Best Practice: Product Agnostic Sales Integration
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

⑲ **Customer Needs-Driven Sales**
We align our organization to deliver integrated, needs-based solutions to our customers that enable their life events.
Best Practice: Need-Aligned Supply Management
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

⑳ **Sales Resource Deployment**
We have an institutional sales process that ensures we effectively align our sales resources to the value that we bring to the customer and the value that the customer brings to the firm.
Best Practice: Multichannel Sales Cohesion
Impact (Circle below): 1 2 3 4 5 | Effectiveness (Circle below): 1 2 3 4 5

How to Use This Diagnostic

Scoring Scale

Impact	Effectiveness
5 = Critical	5 = We Are Excellent at This
4 = High Priority	4 = We Are Good at This
3 = Moderate Priority	3 = We Are Average at This
2 = Low Priority	2 = We Are Poor at This
1 = Not a Priority	1 = We Are Terrible at This

The right scale measures performance in each competency and the left scale measures the importance of each competency. Please select the value (1 to 5) that best describes your organization using the two grading scales provided.

- Members administer the survey to internal teams, peers, or clients
- Each rater judges current impact and effectiveness on each attribute
- Members can then self-assess performance gaps to identify most urgent areas for focus

For each competency, the Council has selected one representative best practice from its archive to help members begin to evaluate implementation strategies. Additional best practices can be acquired by contacting the Council.

Performance Evaluation

Sum of Scores

Please average the "Impact" and "Effectiveness" scores separately for each of the four (4) competency areas.

	Impact	Effectiveness
Acquiring Profitable Customers		
Crafting Distinctive Offers		
Delivering Service Excellence		
Driving Relationship Growth		

The most urgent competencies to be addressed are high impact and low current effectiveness.

Performance/Importance Matrix

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Appendix B:

EXAMPLE OF A QUESTIONNAIRE USED FOR INTERVIEWS WITH CUSTOMERS WHO INTERACTED WITH THE BANK THROUGH A BRANCH AS CHANNEL (ISM Framework input)

QUESTION 9100

Respondent Information
Telephone: <Question 9052> Tel 2: <Question 9053> Cell: <Question 9054>
Name: <Question 9055>

Good morning \ afternoon \ evening, my name is ... (Say your name clearly) from Markinor, an independent market research company. We are working with BANK X, A SOUTH AFRICAN RETAIL BANK who wish to assess the level of customer satisfaction you experienced when dealing with BANK X, A SOUTH AFRICAN RETAIL BANK's branch staff. Your opinion is vital to us and your responses will be treated confidentially.

1 ☐ Yes, continue.
2 ☐ No, new appointment, etc.
↳ *END OF INTERVIEW, NON-RESPONSE "I"*
3 ☐ No, refused
↳ *CONTINUE AT QUESTION 560*

QUESTION 10

Are you comfortable conducting the interview in English or Afrikaans?

1 ☐ English
↳ *SWITCH TO LANGUAGE ""*
2 ☐ Afrikaans
↳ *SWITCH TO LANGUAGE "Afrikaans"*
3 ☐ Other language

QUESTION 20

IF [Q10 , 3]

Which language would you prefer the interview conducted in?

1 ☐ Sotho
↳ *SWITCH TO LANGUAGE "Sotho"*
2 ☐ Tswana
↳ *SWITCH TO LANGUAGE "Tswana"*
3 ☐ Xhosa
↳ *SWITCH TO LANGUAGE "Xhosa"*
4 ☐ Zulu
↳ *SWITCH TO LANGUAGE "Zulu"*

IF [Q20 , 1 and Q9005 , 1] PUT IN CONTACT "Teller"
IF [Q20 , 1 and Q9005 , 2] PUT IN CONTACT "Enquiry clerk"

QUESTION 30

S1. The interview will take approximately 10 minutes of your time. Do you mind if we ask you some questions about the service experience that you had with the <*CONTACT*> at <*BRANCH*> branch?

1 ☐ Continue
2 ☐ Refused
↳ *CONTINUE AT QUESTION 9998*

QUESTION 40

S2. We will be recording this interview for quality control purposes. May we continue?

1 ☐ Yes, continue.
2 ☐ No, do not continue (Will close)
↳ *CONTINUE AT QUESTION 9998*

QUESTION 50

DUMMY QUESTION

1 ☐ Teller
2 ☐ Enquiry clerk

QUESTION 60

S4. Please confirm that we are thinking about the same branch - it was <*BRANCH*>?

1 ☐ Yes, continue.
2 ☐ No (Will close)
↳ *CONTINUE AT QUESTION 9998*

IF STRATIFICATION REACHED, CONTINUE AT QUESTION 9998

QUESTION 70

For the next few questions, we are going to be using a rating scale where you rate the quality of the service experience from zero to ten, where 10 is excellent, 5 is average and 0 is very poor
You may choose any number between 0 and 10.

1 ☐ Continue

QUESTION 100

Q3. How would you rate your overall service experience with the <*CONTACT*>?

10 ☐ 10 Excellent
9 ☐ 9
8 ☐ 8
7 ☐ 7
6 ☐ 6
5 ☐ 5 Average
4 ☐ 4
3 ☐ 3
2 ☐ 2
1 ☐ 1
0 ☐ 0 Very Poor
11 ☐ Not applicable (Do not read out)
12 ☐ Don't know (Do not read out)

QUESTION 110

First, I'll be asking you for your general opinions regarding BANK X, A SOUTH AFRICAN RETAIL BANK, then I'll ask you more specific questions about the recent
services BANK X, A SOUTH AFRICAN RETAIL BANK provided to you.

1 ☐ Continue

QUESTION 120

DUMMY QUESTION

1 ☐ BANK X, A SOUTH AFRICAN RETAIL BANK really cares about its customers
3 ☐ The overall reputation of BANK X, A SOUTH AFRICAN RETAIL BANK is excellent
4 ☐ BANK X, A SOUTH AFRICAN RETAIL BANK's brand is the one you prefer over other banking brands
5 ☐ You consider yourself to be a committed customer of BANK X, A SOUTH AFRICAN RETAIL BANK
6 ☐ It would matter a lot if you could no longer make use of BANK X, A SOUTH AFRICAN RETAIL BANK's products and services

QUESTION 130

Q4.1. I am going to read a list of statements which might be used to describe BANK X, A SOUTH AFRICAN RETAIL BANK.
As I read each statement, please say whether you "strongly agree," "agree," "neither agree nor disagree," "disagree" or "strongly disagree."
To what extent do you agree that ...? READ OUT
BANK X, A SOUTH AFRICAN RETAIL BANK really cares about its customers

5 ☐ Strongly agree
4 ☐ Agree
3 ☐ Neither agree nor disagree
2 ☐ Disagree
1 ☐ Strongly disagree
6 ☐ Don't know DO NOT READ OUT

QUESTION 130

Q4.3. I am going to read a list of statements which might be used to describe BANK X, A SOUTH AFRICAN RETAIL BANK.
As I read each statement, please say whether you "strongly agree," "agree," "neither agree nor disagree," "disagree" or "strongly disagree."
To what extent do you agree that ...? READ OUT
The overall reputation of BANK X, A SOUTH AFRICAN RETAIL BANK is excellent

5 ☐ Strongly agree
4 ☐ Agree
3 ☐ Neither agree nor disagree
2 ☐ Disagree
1 ☐ Strongly disagree
6 ☐ Don't know DO NOT READ OUT

QUESTION 130

Q4.4. I am going to read a list of statements which might be used to describe BANK X, A SOUTH AFRICAN RETAIL BANK.
As I read each statement, please say whether you "strongly agree," "agree," "neither agree nor disagree," "disagree" or "strongly disagree."
To what extent do you agree that ...? READ OUT
BANK X, A SOUTH AFRICAN RETAIL BANK's brand is the one you prefer over other banking brands

5 ☐ Strongly agree
4 ☐ Agree
3 ☐ Neither agree nor disagree
2 ☐ Disagree
1 ☐ Strongly disagree
6 ☐ Don't know DO NOT READ OUT

QUESTION 130

Q4.5. I am going to read a list of statements which might be used to describe BANK X, A SOUTH AFRICAN RETAIL BANK.
As I read each statement, please say whether you "strongly agree," "agree," "neither agree nor disagree," "disagree" or "strongly disagree."
To what extent do you agree that ...? READ OUT
You consider yourself to be a committed customer of BANK X, A SOUTH AFRICAN RETAIL BANK

5 ☐ Strongly agree
4 ☐ Agree
3 ☐ Neither agree nor disagree
2 ☐ Disagree
1 ☐ Strongly disagree
6 ☐ Don't know DO NOT READ OUT

QUESTION 130

Q4.6. I am going to read a list of statements which might be used to describe BANK X, A SOUTH AFRICAN RETAIL BANK.
As I read each statement, please say whether you "strongly agree," "agree," "neither agree nor disagree," "disagree" or "strongly disagree."
To what extent do you agree that ...? READ OUT
It would matter a lot if you could no longer make use of BANK X, A SOUTH AFRICAN RETAIL BANK's products and services

5 ☐ Strongly agree
4 ☐ Agree
3 ☐ Neither agree nor disagree
2 ☐ Disagree
1 ☐ Strongly disagree
6 ☐ Don't know DO NOT READ OUT

QUESTION 140

Please think now about the scale of Extremely likely, Very likely, Somewhat likely, Not very likely or Not at all likely.

1 ☐ Continue

QUESTION 150

Q5. If someone asked you to recommend a bank, how likely would you be to recommend BANK X, A SOUTH AFRICAN RETAIL BANK? Would you be ...? READ OUT

5 ☐ Extremely likely
4 ☐ Very likely
3 ☐ Somewhat likely
2 ☐ Not very likely
1 ☐ Not at all likely
6 ☐ Don't know\ Refused DO NOT READ OUT

QUESTION 160

Q6. What is the likelihood that you will continue to do business with BANK X, A SOUTH AFRICAN RETAIL BANK during the next year? READ OUT

5 ☐ Extremely likely
4 ☐ Very likely
3 ☐ Somewhat likely
2 ☐ Not very likely
1 ☐ Not at all likely
6 ☐ Don't know\ Refused DO NOT READ OUT

QUESTION 170

Q7. When another bank comes to you claiming they have a noticeably better product or offering, how likely are you to seriously consider their offer? READ OUT

- 5 ☐ Extremely likely
- 4 ☐ Very likely
- 3 ☐ Somewhat likely
- 2 ☐ Not very likely
- 1 ☐ Not at all likely
- 6 ☐ Don't know\ Refused DO NOT READ OUT

QUESTION 180

Q8. How likely are you to actively search for alternative offerings by other banks? READ OUT

- 5 ☐ Extremely likely
- 4 ☐ Very likely
- 3 ☐ Somewhat likely
- 2 ☐ Not very likely
- 1 ☐ Not at all likely
- 6 ☐ Don't know\ Refused DO NOT READ OUT

QUESTION 220

For the next few questions, we will be using another scale of excellent, very good, Good, fair or poor.
If you are unable to rate something fairly, please state "not applicable" or if you feel you don't have enough experience to answer a particular question, please feel free to say, "I don't know".

- 1 ☐ Continue

QUESTION 230

DUMMY QUESTION
IF [Q50 , 1]

- 1 ☐ Having a warm and approachable manner
- 2 ☐ Effectively servicing the queue at the time to ensure it moved along steadily
- 3 ☐ Having a clean and neat counter
- 4 ☐ Having a professional appearance
- 5 ☐ Ensuring that you felt safe and secure when transacting with him or her

QUESTION 240

IF [Q50 , 1]

Q12.1. How would you rate the Teller on each of the following aspects of their service? READ OUT
Having a warm and approachable manner

- 5 ☐ Excellent
- 4 ☐ Very good
- 3 ☐ Good
- 2 ☐ Fair
- 1 ☐ Poor
- 6 ☐ Don't know DO NOT READ OUT

QUESTION 240

IF [Q50 , 1]

Q12.2. How would you rate the Teller on each of the following aspects of their service? READ OUT
Effectively servicing the queue at the time to ensure it moved along steadily

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 240

IF [Q50 , 1]

Q12.3. How would you rate the Teller on each of the following aspects of their service? READ OUT
Having a clean and neat counter

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 240

IF [Q50 , 1]

Q12.4. How would you rate the Teller on each of the following aspects of their service? READ OUT
Having a professional appearance

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 240

IF [Q50 , 1]

Q12.5. How would you rate the Teller on each of the following aspects of their service? READ OUT
Ensuring that you felt safe and secure when transacting with him or her

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 250

DUMMY QUESTION
IF [Q50 , 2]

1 ☐ Having a warm and approachable manner
2 ☐ Having a clean and neat desk area
3 ☐ Having a professional appearance

QUESTION 260

IF [Q50 , 2]

Q13.1. How would you rate the Enquiry clerk on each of the following aspects of their service? READ OUT Having a warm and approachable manner

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 260

IF [Q50 , 2]

Q13.2. How would you rate the Enquiry clerk on each of the following aspects of their service? READ OUT Having a clean and neat desk area

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 260

IF [Q50 , 2]

Q13.3. How would you rate the Enquiry clerk on each of the following aspects of their service? READ OUT Having a professional appearance

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 270

DUMMY QUESTION

1 ☐ Speaking to you in a language that you could understand
2 ☐ Using language that was clear and easy to understand
3 ☐ Having a respectful and friendly manner
4 ☐ Being willing to assist you

QUESTION 280

Q14.1. How would you rate the *<CONTACT>* on each of the following aspects of their service? READ OUT Speaking to you in a language that you could understand

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 280

Q14.2. How would you rate the <*CONTACT*> on each of the following aspects of their service? READ OUT
Using language that was clear and easy to understand

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 280

Q14.3. How would you rate the <*CONTACT*> on each of the following aspects of their service? READ OUT
Having a respectful and friendly manner

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 280

Q14.4. How would you rate the <*CONTACT*> on each of the following aspects of their service? READ OUT
Being willing to assist you

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 290

DUMMY QUESTION
IF [Q50 , 1]

1 ☐ Dealing with your needs or transactions quickly, that is, without delay
2 ☐ Dealing with your needs or transactions accurately, that is, right the first time
3 ☐ Demonstrating knowledge in completing his or her task
4 ☐ Providing you with beneficial advice or information relating to your enquiry or transaction
5 ☐ Going the extra mile to assist you
6 ☐ Treating you as a unique individual

QUESTION 300

IF [Q50 , 1]

Q15.1. How would you rate the Teller on each of the following aspects of their service? READ OUT
Dealing with your needs or transactions quickly, that is, without delay

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 300

IF [Q50 , 1]

Q15.2. How would you rate the Teller on each of the following aspects of their service? READ OUT
Dealing with your needs or transactions accurately, that is, right the first time

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 300

IF [Q50 , 1]

Q15.3. How would you rate the Teller on each of the following aspects of their service? READ OUT
Demonstrating knowledge in completing his or her task

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 300

IF [Q50 , 1]

Q15.4. How would you rate the Teller on each of the following aspects of their service? READ OUT
Providing you with beneficial advice or information relating to your enquiry or transaction

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 300

IF [Q50 , 1]

Q15.5. How would you rate the Teller on each of the following aspects of their service? READ OUT
Going the extra mile to assist you

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 300

IF [Q50 , 1]

Q15.6. How would you rate the Teller on each of the following aspects of their service? READ OUT
Treating you as a unique individual

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 310

DUMMY QUESTION
IF [Q50 , 2]

1 ☐ Completing your transaction quickly, that is, without delay
2 ☐ Completing your transaction accurately, that is, right the first time

QUESTION 320

IF [Q50 , 2]

Q16.1. How would you rate the Enquiry clerk on each of the following aspects of their service? READ OUT
Completing your transaction quickly, that is, without delay

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 320

IF [Q50 , 2]

Q16.2. How would you rate the Enquiry clerk on each of the following aspects of their service? READ OUT
Completing your transaction accurately, that is, right the first time

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 330

IF [Q50 , 2]

Q17. Was it necessary for the Enquiry clerk to provide you with feedback?

1 ☐ Yes
2 ☐ No

QUESTION 340

IF [Q330 , 1]

Q18. And how would you rate the Enquiry Clerk on ...
providing you with feedback within the agreed time? READ OUT

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 350

IF [Q330 , 1]

Q19. How satisfied were you with the feedback you received? READ OUT

5 ☐ Extremely satisfied
4 ☐ Very satisfied
3 ☐ Satisfied
2 ☐ Dissatisfied
1 ☐ Totally dissatisfied
6 ☐ Don't know DO NOT READ OUT

QUESTION 360

Q20. And how would you rate the <*CONTACT*> on ...
keeping to the promised time for completing your transaction? READ OUT

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 370

DUMMY QUESTION
IF [Q50 , 2]

1 ☐ Providing beneficial advice or information relating to your enquiry or transaction
2 ☐ Going the extra mile to assist you
3 ☐ Anticipating your needs
4 ☐ Treating you as a unique individual

QUESTION 380

IF [Q50 , 2]

Q21.1. How would you rate the Enquiry clerk on each of the following aspects of their service? READ OUT
Providing beneficial advice or information relating to your enquiry or transaction

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 380

IF [Q50 , 2]

Q21.2. How would you rate the Enquiry clerk on each of the following aspects of their service? READ OUT
Going the extra mile to assist you

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 380

IF [Q50 , 2]

Q21.3. How would you rate the Enquiry clerk on each of the following aspects of their service? READ OUT
Anticipating your needs

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 380

IF [Q50 , 2]

Q21.4. How would you rate the Enquiry clerk on each of the following aspects of their service? READ OUT Treating you as a unique individual

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 390

Q22. Did the *<CONTACT>* offer you alternative or additional products or solutions that you might find useful?

1 ☐ Yes
2 ☐ No
3 ☐ Don't know

QUESTION 400 **MULTIPLE**

Q23. Have you had a complaint or compliment with regards to your account or any of the products or services during the last 3 months?

1 ☐ Complaint
2 ☐ Compliment
3 ☐ Neither

QUESTION 410

Q24. Do you have suggestions about what BANK X, A SOUTH AFRICAN RETAIL BANK could do to improve the service they offered to you in the future, or to exceed your financial needs?

1 ☐ Yes
2 ☐ No

QUESTION 420 **OPEN**

IF [Q410 , 1]

Q25. What suggestions do you have?

QUESTION 430

Q26. How would you rate the overall quality of the service you received from the *<CONTACT>*? READ OUT

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 435

Q26.2. How would you rate the overall quality of service you receive from BANK X, A SOUTH AFRICAN RETAIL BANK as a whole? READ OUT

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 440

Q27. Have you contacted BANK X, A SOUTH AFRICAN RETAIL BANK <*BRANCH*> by telephone in the past 3 months?

1 ☐ Yes
2 ☐ No

QUESTION 450

IF [Q440 , 1]

Q28. May I ask you a few questions with regards to the Switchboard Operator?

1 ☐ Yes
2 ☐ No

QUESTION 460

DUMMY QUESTION
IF [Q450 , 1]

1 ☐ Having a warm and approachable tone of voice
3 ☐ Being easily contactable, by this I mean easy to get hold of
4 ☐ Using language which was clear and easy to understand
5 ☐ Having a respectful and friendly manner
6 ☐ Being willing to assist you
7 ☐ Completing your transaction quickly, that is, without delay
8 ☐ Completing your transaction accurately, that is, right the first time
9 ☐ Demonstrating skill and knowledge in completing your query or transaction
10 ☐ Providing beneficial advice or information relating to your enquiry or transaction
11 ☐ Going the extra mile to assist you
12 ☐ Treating you as a unique individual

QUESTION 470

IF [Q450 , 1]

Q29.1. How would you rate the Switchboard Operator on each of the following aspects of their service? READ OUT
Having a warm and approachable tone of voice

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 470

IF [Q450 , 1]

Q29.3. How would you rate the Switchboard Operator on each of the following aspects of their service? READ OUT
Being easily contactable, by this I mean easy to get hold of

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 470

IF [Q450 , 1]

Q29.4. How would you rate the Switchboard Operator on each of the following aspects of their service? READ OUT
Using language which was clear and easy to understand

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 470

IF [Q450 , 1]

Q29.5. How would you rate the Switchboard Operator on each of the following aspects of their service? READ OUT
Having a respectful and friendly manner

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 470

IF [Q450 , 1]

Q29.6. How would you rate the Switchboard Operator on each of the following aspects of their service? READ OUT
Being willing to assist you

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 470

IF [Q450 , 1]

Q29.7. How would you rate the Switchboard Operator on each of the following aspects of their service? READ OUT
Completing your transaction quickly, that is, without delay

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 470

IF [Q450 , 1]

Q29.8. How would you rate the Switchboard Operator on each of the following aspects of their service?
READ OUT
Completing your transaction accurately, that is, right the first time

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 470

IF [Q450 , 1]

Q29.9. How would you rate the Switchboard Operator on each of the following aspects of their service?
READ OUT
Demonstrating skill and knowledge in completing your query or transaction

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 470

IF [Q450 , 1]

Q29.10. How would you rate the Switchboard Operator on each of the following aspects of their service?
READ OUT
Providing beneficial advice or information relating to your enquiry or transaction

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 470

IF [Q450 , 1]

Q29.11. How would you rate the Switchboard Operator on each of the following aspects of their service?
READ OUT
Going the extra mile to assist you

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 470

IF [Q450 , 1]

Q29.12. How would you rate the Switchboard Operator on each of the following aspects of their service?
READ OUT
Treating you as a unique individual

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 480

IF [Q450 , 1]

Q30. How would you rate the overall quality of the service you received from the Switchboard Operator?
READ OUT

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 48010

IF [Q440 , 2]

Q36. Have you had any contact with the Branch Manager in the past three months?

1 ☐ Yes
2 ☐ No

QUESTION 48020

IF [Q48010 , 1]

Q37. May I ask you a few questions with regards to the branch manager?

1 ☐ Yes
2 ☐ No

QUESTION 48030

DUMMY QUESTION
IF [Q48020 , 1]

1 ☐ Having a warm and approachable manner
2 ☐ Having a well-groomed and professional personal appearance
3 ☐ Dealing with you in a professional manner
4 ☐ Being easily contactable, by this I mean easy to get hold of
5 ☐ Speaking to you in a language that you could understand
6 ☐ Using language that is clear and easy to understand
7 ☐ Asks clarifying questions to exactly determine your needs
8 ☐ Being willing to assist you
9 ☐ Demonstrating an understanding of your financial needs
10 ☐ Demonstrating skill and knowledge in completing your enquiry or transaction
11 ☐ Providing beneficial advice or information relating to your enquiry or transaction
12 ☐ Going the extra mile to assist you
13 ☐ Treating you as a unique individual

QUESTION 48040

IF [Q48020 , 1]

Q38.1. How would you rate the Branch Manager on each of the following aspects of their service? READ OUT
Having a warm and approachable manner

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 48040

IF [Q48020 , 1]

Q38.2. How would you rate the Branch Manager on each of the following aspects of their service? READ OUT
Having a well-groomed and professional personal appearance

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 48040

IF [Q48020 , 1]

Q38.3. How would you rate the Branch Manager on each of the following aspects of their service? READ OUT
Dealing with you in a professional manner

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 48040

IF [Q48020 , 1]

Q38.4. How would you rate the Branch Manager on each of the following aspects of their service? READ OUT
Being easily contactable, by this I mean easy to get hold of

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 48040

IF [Q48020 , 1]

Q38.5. How would you rate the Branch Manager on each of the following aspects of their service? READ OUT
Speaking to you in a language that you could understand

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 48040

IF [Q48020 , 1]

Q38.6. How would you rate the Branch Manager on each of the following aspects of their service? READ OUT
Using language that is clear and easy to understand

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 48040

IF [Q48020 , 1]

Q38.7. How would you rate the Branch Manager on each of the following aspects of their service? READ OUT
Asks clarifying questions to exactly determine your needs

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 48040

IF [Q48020 , 1]

Q38.8. How would you rate the Branch Manager on each of the following aspects of their service? READ OUT
Being willing to assist you

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 48040

IF [Q48020 , 1]

Q38.9. How would you rate the Branch Manager on each of the following aspects of their service? READ OUT
Demonstrating an understanding of your financial needs

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 48040

IF [Q48020 , 1]

Q38.10. How would you rate the Branch Manager on each of the following aspects of their service? READ OUT
Demonstrating skill and knowledge in completing your enquiry or transaction

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 48040

IF [Q48020 , 1]

Q38.11. How would you rate the Branch Manager on each of the following aspects of their service? READ OUT
Providing beneficial advice or information relating to your enquiry or transaction

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 48040

IF [Q48020 , 1]

Q38.12. How would you rate the Branch Manager on each of the following aspects of their service? READ OUT
Going the extra mile to assist you

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 48040

IF [Q48020 , 1]

Q38.13. How would you rate the Branch Manager on each of the following aspects of their service? READ OUT
Treating you as a unique individual

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 48050

IF [Q48020 , 1]

Q39. How would you rate the overall quality of the service you received from the Branch Manager? READ OUT

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 490

IF [Q48010 , 2]

Q31. May I ask you a few questions with regards to the Branch Host or Hostess?
The Host or Hostess is the person who approaches customers waiting in the enquiries queue in order to assist them.

1 ☐ Yes
2 ☐ No

QUESTION 500

DUMMY QUESTION
IF [Q490 , 1]

1 ☐ Having a warm and approachable manner
2 ☐ Effectively servicing the queue at the time to ensure it moved along steadily
3 ☐ Having a well-groomed and professional personal appearance
5 ☐ Being easily contactable, by this I mean easy to get hold of
6 ☐ Speaking to you in a language that you could understand
7 ☐ Using language that is clear and easy to understand
8 ☐ Having a respectful and friendly manner
9 ☐ Being willing to assist you
10 ☐ Completing your transaction quickly, that is, without delay
11 ☐ Completing your transaction accurately, that is, right the first time
12 ☐ Demonstrating an understanding of your financial needs
13 ☐ Demonstrating skill and knowledge in completing your enquiry or transaction
14 ☐ Providing beneficial advice or information relating to your enquiry or transaction
15 ☐ Going the extra mile to assist you
16 ☐ Treating you as a unique individual

QUESTION 510

IF [Q490 , 1]

Q32.1. How would you rate the Host or Hostess on each of the following aspects of their service? READ OUT
Having a warm and approachable manner

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 510

IF [Q490 , 1]

Q32.2. How would you rate the Host or Hostess on each of the following aspects of their service? READ OUT
Effectively servicing the queue at the time to ensure it moved along steadily

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 510

IF [Q490 , 1]

Q32.3. How would you rate the Host or Hostess on each of the following aspects of their service? READ OUT
Having a well-groomed and professional personal appearance

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 510

IF [Q490 , 1]

Q32.5. How would you rate the Host or Hostess on each of the following aspects of their service? READ OUT
Being easily contactable, by this I mean easy to get hold of

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 510

IF [Q490 , 1]

Q32.6. How would you rate the Host or Hostess on each of the following aspects of their service? READ OUT
Speaking to you in a language that you could understand

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 510

IF [Q490 , 1]

Q32.7. How would you rate the Host or Hostess on each of the following aspects of their service? READ OUT
Using language that is clear and easy to understand

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 510

IF [Q490 , 1]

Q32.8. How would you rate the Host or Hostess on each of the following aspects of their service? READ OUT
Having a respectful and friendly manner

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 510

IF [Q490 , 1]

Q32.9. How would you rate the Host or Hostess on each of the following aspects of their service? READ OUT
Being willing to assist you

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 510

IF [Q490 , 1]

Q32.10. How would you rate the Host or Hostess on each of the following aspects of their service? READ OUT
Completing your transaction quickly, that is, without delay

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 510

IF [Q490 , 1]

Q32.11. How would you rate the Host or Hostess on each of the following aspects of their service? READ OUT
Completing your transaction accurately, that is, right the first time

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 510

IF [Q490 , 1]

Q32.12. How would you rate the Host or Hostess on each of the following aspects of their service? READ OUT
Demonstrating an understanding of your financial needs

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 510

IF [Q490 , 1]

Q32.13. How would you rate the Host or Hostess on each of the following aspects of their service? READ OUT
Demonstrating skill and knowledge in completing your enquiry or transaction

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 510

IF [Q490 , 1]

Q32.14. How would you rate the Host or Hostess on each of the following aspects of their service? READ OUT
Providing beneficial advice or information relating to your enquiry or transaction

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 510

IF [Q490 , 1]

Q32.15. How would you rate the Host or Hostess on each of the following aspects of their service? READ OUT
Going the extra mile to assist you

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 510

IF [Q490 , 1]

Q32.16. How would you rate the Host or Hostess on each of the following aspects of their service? READ OUT
Treating you as a unique individual

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 520

IF [Q490 , 1]

Q33. Did the Host or Hostess offer you alternative or additional products or solutions that you might find useful?

1 ☐ Yes
2 ☐ No

QUESTION 530

IF [Q490 , 1]

Q34. How would you rate the overall quality of the service you received from the Host or Hostess? READ OUT

5 ☐ Excellent
4 ☐ Very good
3 ☐ Good
2 ☐ Fair
1 ☐ Poor
6 ☐ Don't know DO NOT READ OUT

QUESTION 540

Q35. Do you have any objection to our forwarding your details to the Branch Manager?

1 ☐ Yes (permission not given)
2 ☐ No objection (permission given)

QUESTION 550

D1. Do not ask: Race

1 ☐ Black
2 ☐ Coloured
3 ☐ Indian
4 ☐ White

QUESTION 560

IF [Q9100 , 3]

REFUSED: May we contact you again in the future for this study?

1 ☐ Yes
2 ☐ No

IF [Q9100 , 3] END OF INTERVIEW, NON-RESPONSE "I"

QUESTION 9999

Successful Interview
Mr \ Ms <Question 9055> - On behalf of Markinor and our customer BANK X, A SOUTH AFRICAN RETAIL BANK, thank you for your valuable time. We appreciate your input and thank you for your willingness to improve BANK X, A SOUTH AFRICAN RETAIL BANK's service to you. Once again, you have been speaking to ... (SAY YOUR NAME CLEARLY). Have a good day.

1 ☐ End

QUESTION 9998

Mr \ Ms <Question 9055> - On behalf of Markinor and our customer, thank you for participating. You have been speaking to ... (say your name clearly). Have a good day.

1 ☐ End

END OF INTERVIEW, NOT SUCCESFULL, DATA WILL BE WRITTEN

Appendix C:

QUESTIONNAIRE USED ON THE ATTITUDINAL LEVEL OF THE ISM FRAMEWORK

BANK X really **cares** about its customers:

○ Strongly agree
○ Agree
○ Neither agree nor disagree
○ Disagree
○ Strongly disagree
○ Don't know

The overall **reputation** of BANK X is excellent:

○ Strongly agree
○ Agree
○ Neither agree nor disagree
○ Disagree
○ Strongly disagree
○ Don't know

BANK X's **brand** is the one you prefer over other banking brands:

○ Strongly agree
○ Agree
○ Neither agree nor disagree
○ Disagree
○ Strongly disagree
○ Don't know

You consider yourself to be a **committed** customer of BANK X:

○ Strongly agree
○ Agree
○ Neither agree nor disagree
○ Disagree
○ Strongly disagree
○ Don't know

It would **matter a lot** if you could no longer make use of BANK X's products and services:

- ○ Strongly agree
- ○ Agree
- ○ Neither agree nor disagree
- ○ Disagree
- ○ Strongly disagree
- ○ Don't know

How likely would you be to **recommend BANK X?**

- ○ Extremely likely
- ○ Very likely
- ○ Somewhat likely
- ○ Not very likely
- ○ Not at all likely
- ○ Don't know / Refused

What is the likelihood that you will **continue to do business** with BANK X during the next year?

- ○ Extremely likely
- ○ Very likely
- ○ Somewhat likely
- ○ Not very likely
- ○ Not at all likely
- ○ Don't know / Refused

How likely are you to seriously consider their alternative **competitor offer**?

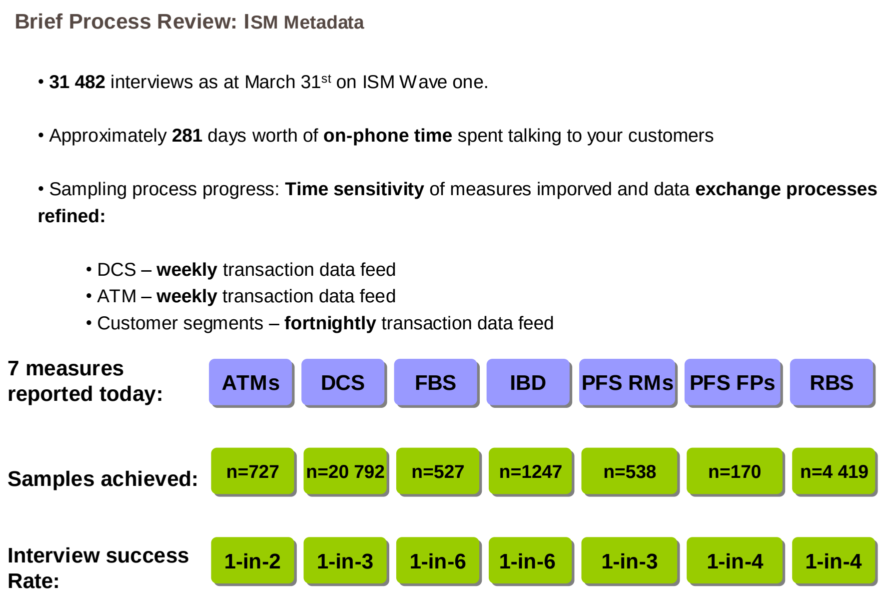
- ○ Extremely likely
- ○ Very likely
- ○ Somewhat likely
- ○ Not very likely
- ○ Not at all likely
- ○ Don't know / Refused

How likely are you to **actively search** for alternative offerings by other banks?

- ○ Extremely likely
- ○ Very likely
- ○ Somewhat likely
- ○ Not very likely
- ○ Not at all likely
- ○ Don't know / Refused

Appendix D:

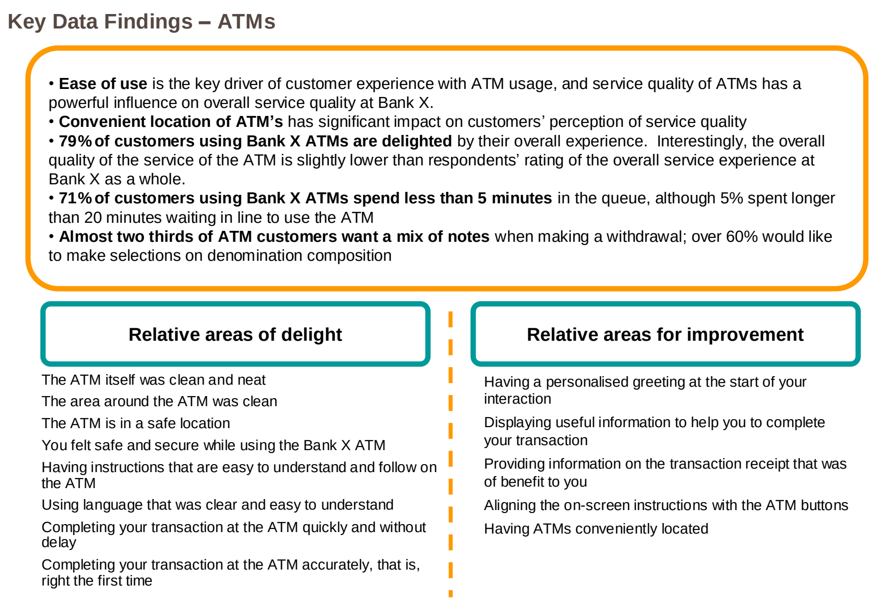
REPORT ON ISM RESULTS



Brief Process Review: ISM Metadata

- **31 482** interviews as at March 31st on ISM Wave one.
- Approximately **281** days worth of **on-phone time** spent talking to your customers
- Sampling process progress: **Time sensitivity** of measures imporved and data **exchange processes refined:**
    - DCS – **weekly** transaction data feed
    - ATM – **weekly** transaction data feed
    - Customer segments – **fortnightly** transaction data feed

7 measures reported today:	**ATMs**	**DCS**	**FBS**	**IBD**	**PFS RMs**	**PFS FPs**	**RBS**
Samples achieved:	**n=727**	**n=20 792**	**n=527**	**n=1247**	**n=538**	**n=170**	**n=4 419**
Interview success Rate:	**1-in-2**	**1-in-3**	**1-in-6**	**1-in-6**	**1-in-3**	**1-in-4**	**1-in-4**



Key Data Findings – ATMs

- **Ease of use** is the key driver of customer experience with ATM usage, and service quality of ATMs has a powerful influence on overall service quality at Bank X.
- **Convenient location of ATM's** has significant impact on customers' perception of service quality
- **79% of customers using Bank X ATMs are delighted** by their overall experience. Interestingly, the overall quality of the service of the ATM is slightly lower than respondents' rating of the overall service experience at Bank X as a whole.
- **71% of customers using Bank X ATMs spend less than 5 minutes** in the queue, although 5% spent longer than 20 minutes waiting in line to use the ATM
- **Almost two thirds of ATM customers want a mix of notes** when making a withdrawal; over 60% would like to make selections on denomination composition

Relative areas of delight	**Relative areas for improvement**
The ATM itself was clean and neat The area around the ATM was clean The ATM is in a safe location You felt safe and secure while using the Bank X ATM Having instructions that are easy to understand and follow on the ATM Using language that was clear and easy to understand Completing your transaction at the ATM quickly and without delay Completing your transaction at the ATM accurately, that is, right the first time	Having a personalised greeting at the start of your interaction Displaying useful information to help you to complete your transaction Providing information on the transaction receipt that was of benefit to you Aligning the on-screen instructions with the ATM buttons Having ATMs conveniently located

Key Data Findings– DCS Tellers

- **“Interaction” and “outcome”** are key drivers of customers’ experience when interacting with tellers, and customers want a **pleasant and effective** experience.
- **Competence and a positive attitude** of the teller dictate customers’ perception of service quality. Both these service elements are leverageable strengths and are currently **exceeding customer expectations**
- **Timeous and accurate service** also has an impact on customer experience when dealing with tellers
- Tellers are currently **not keeping to promised times set to complete transactions;** this is a top priority for improvement
- 82**% of customers interacting with tellers are delighted** by their overall experience; FBS has the highest rating on service quality of the teller, while PFS clients (setting higher service standards) are most critical of touch point

Relative areas of delight

Staff’s willingness to assist you

Using language which was clear and easy to understand

Having a respectful and friendly manner

Ensuring that you felt safe and secure when transacting with the teller

Completing your transaction accurately, that is, right the first time

Completing your transaction quickly, that is, without delay

Relative areas for improvement

Having a warm and approachable manner

Effectively servicing the queue at the time to ensure it moved along steadily

Demonstrating skill and knowledge in completing your query or transaction

Keeping to the promised time for completing your transaction

Key Data Findings– DCS Enquiry Clerks

- Among customers interacting with Enquiry clerks**, Outcome and Interaction** are key drivers.
- Thus customers want both a **pleasant and effective** experience
- **Service rendered accurately and on time** also significant impacts on customer experience when dealing with this touch point
- Enquiry clerks’ **willingness to assist clients** and their **display of courtesy** dictate customers’ opinion of the interaction
- “Relationship”, “advisory” and “value add’ also have significant impact on customers’ service experience
- **79% of customers are delighted** by their overall experience with enquiry clerks, although Small Business clients are more critical of these touch points

Relative areas of delight

Having a well-groomed and professional personal appearance

Having a clean and tidy desk area/counter

Using language which was clear and easy to understand

Speaking to you in a language that you could understand

Having a respectful and friendly manner

Willing to assist you

Completing your transaction accurately, that is, right the first time

Relative areas for improvement

Having a warm and approachable manner

Completing your transaction quickly, that is, without delay

Providing you with feedback within the agreed time

Satisfaction with the feedback you received

Keeping to the promised time for completing your transaction

Providing beneficial advice or information relating to your enquiry or transaction

Going the extra mile to assist you

Treating you with a personal manner which made you feel like a unique individual

Anticipating your needs

Key Data Findings– DCS Branch Managers

- **Surprisingly,** the Branch Manager is the **only touch point** were **hygiene** is the key driver of customer experience. Customers expect BM's to be **well-groomed** and **professional in appearance**
- **"Interaction" and "advisory"** also have a significant impact on customers' experience
- Using language that is clear and easy to understand is an important leverageable strength
- The Branch manager's ability to provide **beneficial advice or information** pertaining to transactions/queries also drives customers' experience
- "Relationship", "advisory" and "value add" also have significant impact on the clients' service experience
- **87% of customers are delighted** by their overall experience with Branch Managers; PFS clients rating BM's the highest on overall service quality

Relative areas of delight

Having a well-groomed and professional personal appearance

Having a warm and approachable manner

Using language which was clear and easy to understand

Relative areas for improvement

Being easily contactable

Providing beneficial advice or information relating to your enquiry or transaction

Demonstrating an understanding of your financial needs

Showing his or her ability to understand your problem by determining your exact needs

Key Data Findings– DCS Hosts/ Hostesses

- **Interaction** is the single most significant driver of customer experience when dealing with Hosts/Hostesses
- **Professionalism and courtesy** are key drivers of customers' experience of service quality
- Although hosts' "courtesy" is a leverageable strength that should be maintained, **professionalism** is a top priority for improvement among this touch point
- **79% of customers dealing with hosts/hostesses are delighted** by their overall experience; FBS customers score hosts/ hostesses slightly higher than other customer segments

Relative areas of delight

Willing to assist you
Having a warm and approachable manner
Using language which was clear and easy to understand
Speaking to you in a language that you could understand
Completing your transaction accurately, that is, right the first time
Completing your transaction quickly, that is, without delay
Having a respectful and friendly manner

Relative areas for improvement

Demonstrating skill and knowledge in completing your query or transaction
Dealing with you in a professional manner

Showing his or her ability to understand your problem by determining your exact needs

Providing beneficial advice or information relating to your enquiry or transaction

Key Data Findings– DCS Switchboard Operators

- Among customers dealing with DCS Switchboard Operators, **interaction is** the key driver of customers' experience when interacting with the touch point
- Their **competency**, **skill and knowledge** are top priorities for improvement
- **Using clear and easy-to-understand language** has a significant impact on customer experience when dealing with the touch point. This service attribute is a leveragable strength of the Switchboard operators in cases where they exceed customers' expectations
- "Relationship" and "advisory" also have significant impact on the service experience of the customer
- **76% of customers using Switchboard operators are delighted** by their overall experience; although PFS clients are the most critical of these touch points

Relative areas of delight

Using language which was clear and easy to understand

Having a respectful and friendly manner

Being willing to assist you

Completing your transaction accurately, that is, right the first time

Completing your transaction quickly, that is without delay

Relative areas for improvement

Being easily contactable

Demonstrating skill and knowledge in completing your query or transaction

Providing beneficial advice or information relating to your query or transaction

Treating you in a personal manner which made you feel like a unique individual

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Key Data Findings– IBD

- **Relationship** is the key driver of customers' experience when interacting with Bank X IBD tellers and consultants.
- Monitoring service issues like customising and **nurturing a relationship** (in which staff can anticipate customers' needs) will address future concerns
- **Interaction** also drives customers perception of service quality.
- Staff's **competency and courtesy** are important strengths that should leveraged
- **76% of customers using Bank X IBD consultants are delighted** by their overall experience; PFS clients are the most critical of these touch points

Relative areas of delight

Having a respectful and friendly manner

Dealing with you in a professional manner

Speaking to you in a language that you could understand

Using language which was clear and easy to understand

Demonstrating skill and knowledge in completing your transaction

Delivering on your request accurately, that is, right the first time

Delivering on your request within a satisfactory time period

Delivering on your requirements with a high standard of quality

Relative areas for improvement

The International Banking Suite projected a professional image

Being easily contactable

Staff going the extra mile to assist you

Treating you in a professional manner which made you feel like a unique individual

Key Data Findings– FBS

- Flexi Bank holds the **highest "Truly Loyal**" customer base among the SBUs.
- **Bank X's brand** is a significant driver of loyalty among FlexiBank customers.
- **Interaction** variables are key in defining the quality of the customer experience
- **84%** of FBS customers are **delighted** by their **overall service experience** from Bank X; This is the **highest rating** awarded by any client segment
- **86%** were delighted with service received from **FBS consultants**.
- FBS customers indicate **extremely strong intentions** to advocate usage of Bank X to their peers.
- They are **committed customers** to Bank X and do not plan to actively search for alternative offerings

Relative areas of delight

Having a professional appearance
Having a respectful and friendly manner
Speaking to you in a language that you could understand
Willingness to assist you
Demonstrating skill, knowledge in completing your transaction
Being easy to do business with
Dealing with you in a professional manner
Completing your transaction quickly, that is, without delay
Completing your transaction accurately, right the first time
Keeping to the promised time for completing your transaction
Treating you as a special individual
Treating you like he or she really cares about you and your needs

Relative areas for improvement

Having a warm and approachable manner
Providing you with feedback within the agreed time
Demonstrating an understanding of your financial needs
Providing you with beneficial advice or information relating to your transaction
Doing more then you expected to assist you

Key Data Findings– PFS Relationship Managers

- **Bank X's brand** is the key driver of loyalty among PFS RM clients.
- "**Customer focus"** and the **overall quality of Bank X** also drive business-enhancing-outcomes among PFS RM clients
- "**Interaction"** and **"One-on-one"** variables are key in defining the quality of the client experience
- **75%** of clients are **delighted** by their overall service experience from Bank X
- **87%** were delighted with service received from **PFS RMs**.
- PFS RM clients indicate **extremely strong intentions** to advocate usage of Bank X to their peers. The majority of the clients are of the opinion that Bank X has the **best reputation** in the financial industry

Relative areas of delight

Being courteous and professional in dealing with you
Giving you peace of mind through dealing with you in a confidential manner
Communicating in an appropriate manner
Discussing your requirements at a time that was suitable to you
Being easy to do business with
Consistently handling your dealings in a quick manner, that is, without delay
Caring about you as a client
Maintaining a good working relationship with you

Relative areas for improvement

Treating you as a unique individual
Valuing your business
Customising solutions to suit your requirements

Key Data Findings– PFS Financial Planners

- **Bank X's brand** and **reputation** are the key drivers of loyalty among PFS FP clients.
- **"Interaction"** and **"One-on-one"** variables are key in defining the quality of clients' experience when dealing with Financial Planners
- **63%** of clients are **delighted** by their overall service experience from Bank X
- **83%** were delighted with service received from **PFS FPs**.
- PFS FP clients indicate **extremely strong intentions** to advocate usage of Bank X to their peers. The **majority of the clients are of the opinion that Bank X has the best** reputation in the financial industry

Relative areas of delight

The branch projected a professional image
The Platinum Suite projected a professional image
Being courteous and professional in dealing with you
Communicating in an appropriate manner
Discussing your requirements at a time that suited you
Being easy to do business with
Showing an ability to understand your problem by determining your exact requirements
Providing information regarding recommend products and services that was of benefit to you
Caring about you as a client

Relative areas for improvement

Consistently handling your dealing in a quick manner, that is, without delay
Going the extra mile In providing progressive solutions
Treating you as an unique individual
Maintaining a good working relationship with you
Valuing your business

Key Data Findings– RBS

- Bank X's **brand and reputation** are significant drivers of business-enhancing-outcomes among RBS customers
- Even though RBS's customer experience is weighted towards the relationship-end of the service hierarchy, (indicating a high level of **aspiration**) "Outcome" and "Interaction", (which are more tangible service elements), also drive perception of service quality.
- 89% of RBS customers are **delighted** by their overall experience with sales consultants
- In the eyes of RBS customers the RBS Sales Consultants contribute well to the overall quality experienced at Bank X

Relative areas of delight

Having a clean and neat office
Having a professional appearance
Willingness to assist you
Completing your transaction quickly, that is, without delay
Completing your transaction accurately, that is, right the first time

Relative areas for improvement

Providing you with feedback within the agreed time
How satisfied were you with the feedback
Demonstrating an understanding of your financial needs
Providing you with beneficial advice or information relating to your transaction
Going the extra mile to assist you
Treating you as a unique individual
Being easily contactable
Having a warm and approachable manner
Demonstrating skill and knowledge in completing your transaction

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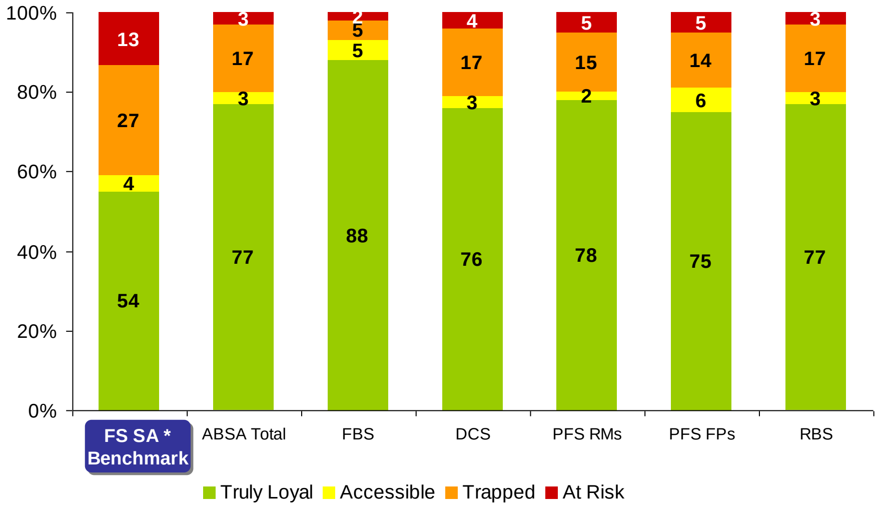
How does Bank X measure up in terms of customers loyalty ?



*Refers to the 2004 Markinor Financial Services Benchmark scores for Retail Banking
- Bank X Total includes ATM and IBD
- A higher Truly Loyal percentage is to be expected more bon FBS, as lower income groups have higher attitudinal commitment than those with higher incomes

The ROI of loyal customers

	Loyal		Not loyal		
	Truly loyal 77%	Accessible 3%	Trapped 17%	High Risk 3%	FS SA Benchmark %
Seriously consider other offers	16	43	31	68	36
Actively Search	11	30	22	54	30
Recommend	95	50	77	19	80

Two-thirds of **At Risk** customers will react to an offer from competitors, and **half will actively search for alternatives.** Furthermore, these customers generate **negative word of mouth.**

Scores reflect top two box (Extremely likely/ Very likely) percentage

The value of understanding what drives loyalty is evidenced by the positive behaviours exhibited by loyal customers and the corresponding negative intentions of "Not Loyal" customers. Customers who are not loyal show dangerously high levels of competitive consideration, worryingly low levels of recommendation and a low propensity to use additional products and services.

Identifying the attitudinal drivers of loyalty – the value of the Bank X brand

	Quality	Customer Focus	Reputation	Brand
SA Benchmark	✓	✓	✗	✔
FBS	✓	✓	✓	✔
PFS FP	✓	✓	✓	✔
PFS RM	✓	✓	✗	✔
RBS	✓	✓	✓	✔

✔ Denotes top attitudinal driver of loyalty

✓ Denotes secondary attitudinal drivers of loyalty

From 30 000 feet – a view of performance on attitudes towards Bank X

	Quality	Customer Focus	Reputation	Brand
Global BM*	61	58	*	*
SA Benchmark**	64	83	86	78
FBS	84	93	96	94
PFS FP	63	81	86	85
PFS RM	75	68	78	82
RBS	83	91	93	90

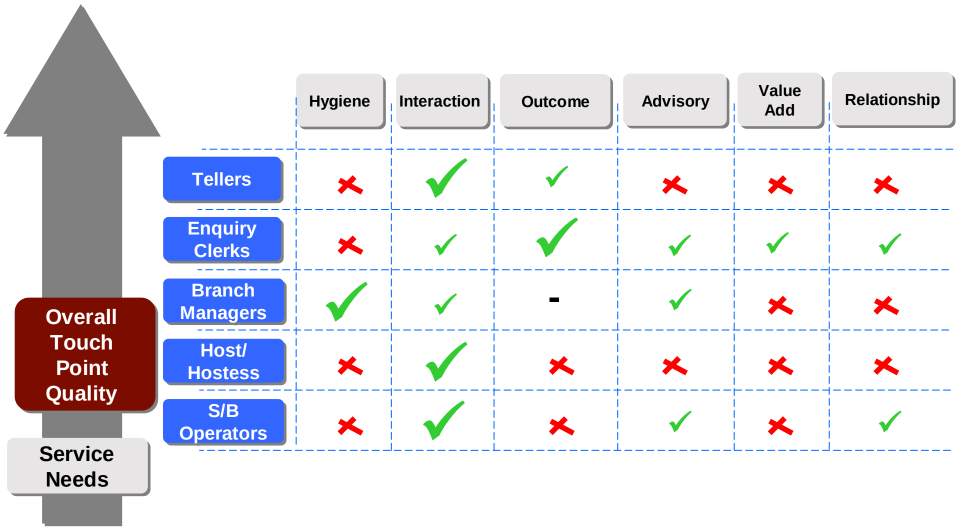
Scores reflect top two box (Excellent/ Very Good) percentage

☐ Denotes top attitudinal driver of loyalty

* Walker Global Network FS Benchmark for Financial Services Commercial Banking

** Markinor FS Benchmark 2004/ Retail Banking

Identifying the drivers of service quality in the branch space



Overall Touch Point Quality

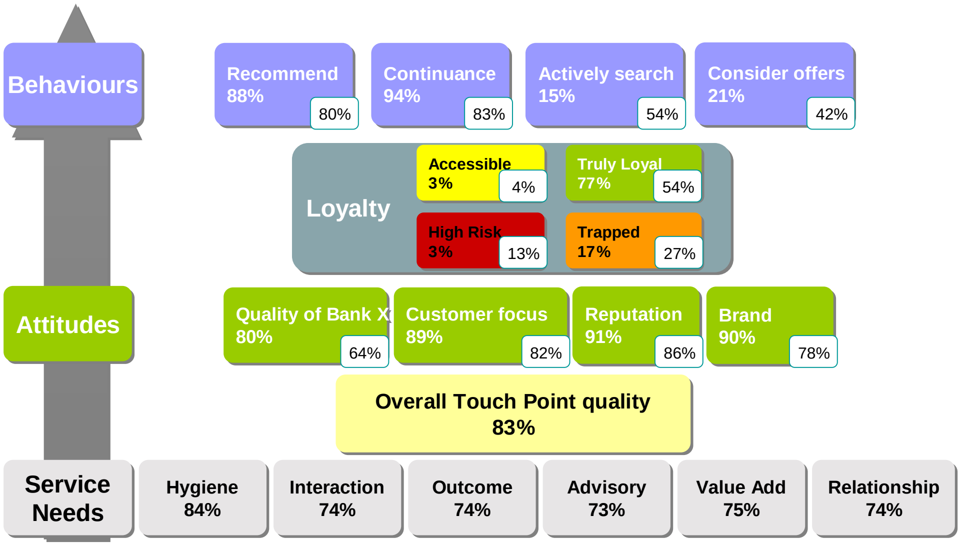
Service Needs

	Hygiene	Interaction	Outcome	Advisory	Value Add	Relationship
Tellers	✗	✔	✓	✗	✗	✗
Enquiry Clerks	✗	✓	✔	✓	✓	✓
Branch Managers	✔	✓	-	✓	✗	✗
Host/ Hostess	✗	✔	✗	✗	✗	✗
S/B Operators	✗	✔	✗	✓	✗	✓

✔ Denotes top driver of touch point quality

✓ Denotes secondary driver of touch point quality

ISM (1) January to March results: Relationships need holistic understanding



Behaviours

Recommend 88% 80%

Continuance 94% 83%

Actively search 15% 54%

Consider offers 21% 42%

Loyalty

Accessible 3% 4%

Truly Loyal 77% 54%

High Risk 3% 13%

Trapped 17% 27%

Attitudes

Quality of Bank X 80% 64%

Customer focus 89% 82%

Reputation 91% 86%

Brand 90% 78%

Overall Touch Point quality 83%

Service Needs

Hygiene 84%

Interaction 74%

Outcome 74%

Advisory 73%

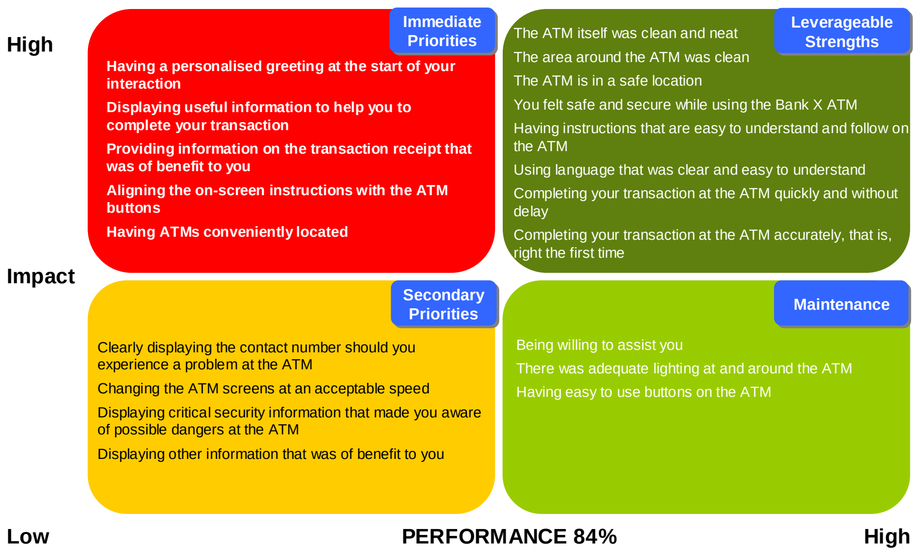
Value Add 75%

Relationship 74%

The performance scores are % Excellent/Very good

83% Industry Benchmark: Markinor FI Benchmark survey **2004**

ATM's improvement matrix



Immediate Priorities

Having a personalised greeting at the start of your interaction
Displaying useful information to help you to complete your transaction
Providing information on the transaction receipt that was of benefit to you
Aligning the on-screen instructions with the ATM buttons
Having ATMs conveniently located

Leverageable Strengths

The ATM itself was clean and neat
The area around the ATM was clean
The ATM is in a safe location
You felt safe and secure while using the Bank X ATM
Having instructions that are easy to understand and follow on the ATM
Using language that was clear and easy to understand
Completing your transaction at the ATM quickly and without delay
Completing your transaction at the ATM accurately, that is, right the first time

Secondary Priorities

Clearly displaying the contact number should you experience a problem at the ATM
Changing the ATM screens at an acceptable speed
Displaying critical security information that made you aware of possible dangers at the ATM
Displaying other information that was of benefit to you

Maintenance

Being willing to assist you
There was adequate lighting at and around the ATM
Having easy to use buttons on the ATM

DCS Tellers improvement matrix

Immediate Priorities

Having a warm and approachable manner
Effectively servicing the queue at the time to ensure it moved along steadily
Demonstrating skill and knowledge in completing your query or transaction
Keeping to the promised time for completing your transaction

Leverageable Strengths

Staff's willingness to assist you
Using language which was clear and easy to understand
Having a respectful and friendly manner
Ensuring that you felt safe and secure when transactin with the teller
Completing your transaction accurately, that is, right th first time
Completing your transaction quickly, that is, without delay

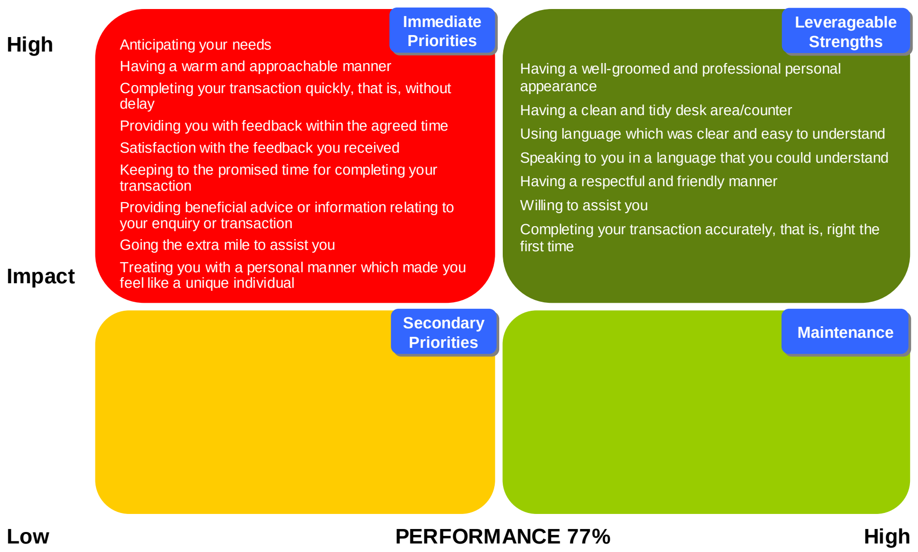
Secondary Priorities

Providing beneficial advice or information relating to your enquiry or transaction
Going the extra mile to assist you
Treating you with a personal manner which made you feel like a unique individual

Maintenance

Having a well-groomed and professional personal appearance
Having a clean and tidy desk area/counter
Speaking to you in a language that you could understand

DCS Enquiry Clerk improvement matrix



Immediate Priorities

- Anticipating your needs
- Having a warm and approachable manner
- Completing your transaction quickly, that is, without delay
- Providing you with feedback within the agreed time
- Satisfaction with the feedback you received
- Keeping to the promised time for completing your transaction
- Providing beneficial advice or information relating to your enquiry or transaction
- Going the extra mile to assist you
- Treating you with a personal manner which made you feel like a unique individual

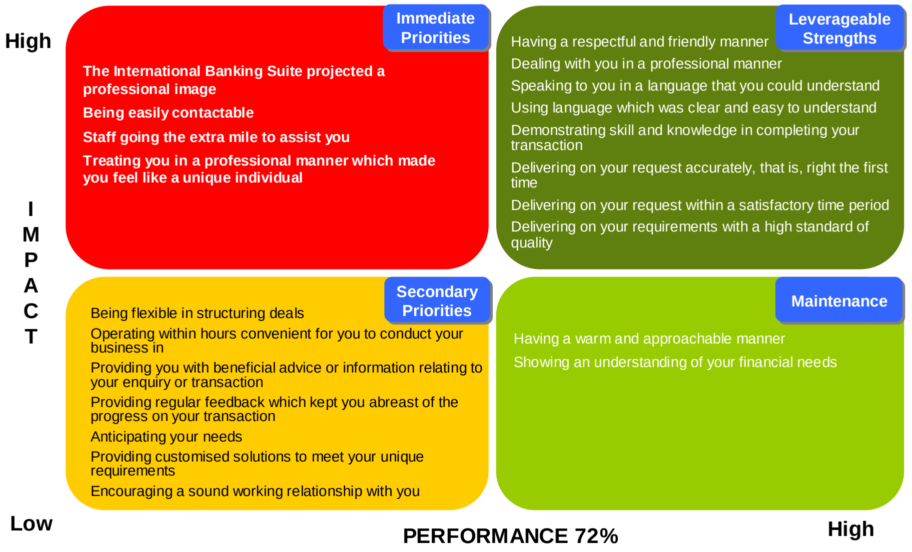
Leverageable Strengths

- Having a well-groomed and professional personal appearance
- Having a clean and tidy desk area/counter
- Using language which was clear and easy to understand
- Speaking to you in a language that you could understand
- Having a respectful and friendly manner
- Willing to assist you
- Completing your transaction accurately, that is, right the first time

Secondary Priorities

Maintenance

IBD improvement matrix



Immediate Priorities

- **The International Banking Suite projected a professional image**
- **Being easily contactable**
- **Staff going the extra mile to assist you**
- **Treating you in a professional manner which made you feel like a unique individual**

Leverageable Strengths

- Having a respectful and friendly manner
- Dealing with you in a professional manner
- Speaking to you in a language that you could understand
- Using language which was clear and easy to understand
- Demonstrating skill and knowledge in completing your transaction
- Delivering on your request accurately, that is, right the first time
- Delivering on your request within a satisfactory time period
- Delivering on your requirements with a high standard of quality

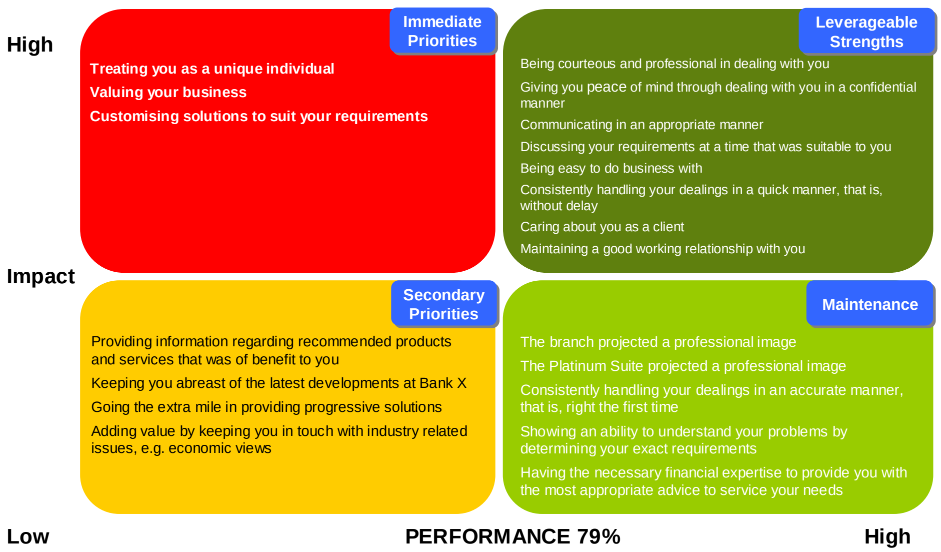
Secondary Priorities

- Being flexible in structuring deals
- Operating within hours convenient for you to conduct your business in
- Providing you with beneficial advice or information relating to your enquiry or transaction
- Providing regular feedback which kept you abreast of the progress on your transaction
- Anticipating your needs
- Providing customised solutions to meet your unique requirements
- Encouraging a sound working relationship with you

Maintenance

- Having a warm and approachable manner
- Showing an understanding of your financial needs

PFS RM improvement matrix



High

Impact

Low

Immediate Priorities

Treating you as a unique individual

Valuing your business

Customising solutions to suit your requirements

Leverageable Strengths

Being courteous and professional in dealing with you

Giving you peace of mind through dealing with you in a confidential manner

Communicating in an appropriate manner

Discussing your requirements at a time that was suitable to you

Being easy to do business with

Consistently handling your dealings in a quick manner, that is, without delay

Caring about you as a client

Maintaining a good working relationship with you

Secondary Priorities

Providing information regarding recommended products and services that was of benefit to you

Keeping you abreast of the latest developments at Bank X

Going the extra mile in providing progressive solutions

Adding value by keeping you in touch with industry related issues, e.g. economic views

Maintenance

The branch projected a professional image

The Platinum Suite projected a professional image

Consistently handling your dealings in an accurate manner, that is, right the first time

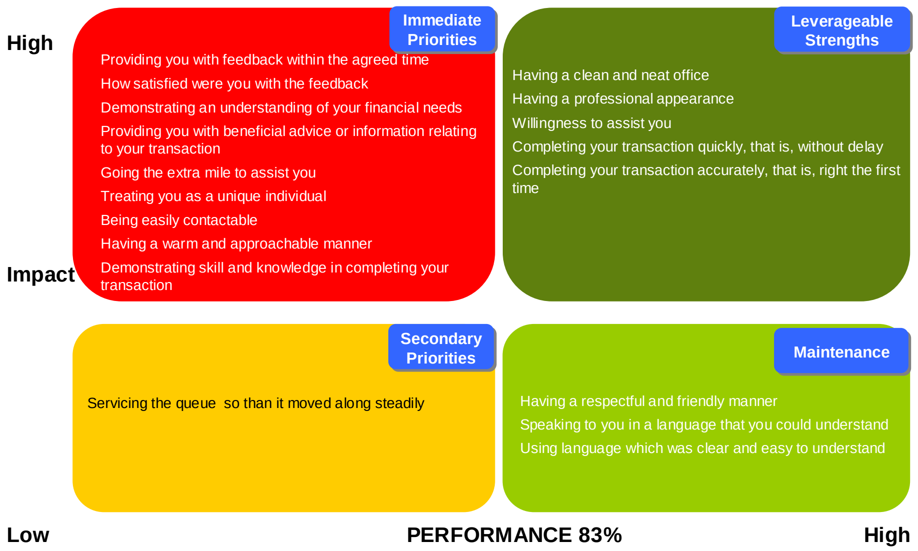
Showing an ability to understand your problems by determining your exact requirements

Having the necessary financial expertise to provide you with the most appropriate advice to service your needs

PERFORMANCE 79%

High

RBS improvement matrix



High

Impact

Low

Immediate Priorities

Providing you with feedback within the agreed time

How satisfied were you with the feedback

Demonstrating an understanding of your financial needs

Providing you with beneficial advice or information relating to your transaction

Going the extra mile to assist you

Treating you as a unique individual

Being easily contactable

Having a warm and approachable manner

Demonstrating skill and knowledge in completing your transaction

Leverageable Strengths

Having a clean and neat office

Having a professional appearance

Willingness to assist you

Completing your transaction quickly, that is, without delay

Completing your transaction accurately, that is, right the first time

Secondary Priorities

Servicing the queue so than it moved along steadily

Maintenance

Having a respectful and friendly manner

Speaking to you in a language that you could understand

Using language which was clear and easy to understand

PERFORMANCE 83%

High

Addendix E:
Markinor Letter

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markinor thinking

4 July 2007

TO WHOM IT MAY CONCERN

This letter serves to confirm that Adri Drotskie worked in partnership with Markinor on developing the integrated service measurement. We acknowledge the reference to Markinor as partner in the dissertation.

Yours faithfully,

S. Benney

Shirley Benney
CEO