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Customer Satisfaction In The Digitalisation Era: Evidence Of South Africa Banking Sector

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Abstract

By investigating the effects of digitalisation as a service quality dimension on customer satisfaction, customer retention, and competitive advantage—all of which are critical for the success of customer service—this study hopes to add to the body of knowledge in the South African banking industry. Relationship hypotheses were investigated empirically. To find out if there is a statistically significant relationship between the variables being examined, regression analysis was used. The results of the empirical study demonstrated a statistically significant positive correlation between digitization of banking services and customer satisfaction with respect to customer experience and customer satisfaction with regard to digital banking convenience. In order to maintain the relevance of retail banks in an uncertain environment, this study concludes with sage advice that may help managers and banking professionals enhance certain areas of their customer service based on the relationships identified.

Keywords: Agility, banking, customer service, South Africa, strategy.

Introduction

An oligopoly in South Africa's banking sector implies that the sector is marked by a high degree of market concentration. This suggests that the top five banks control the market with a combined market share of over 90%, and the remaining banks have a combined market share of less than 10%. A noticeable degree of market concentration is highlighted by this distribution (Ngonyama & Simatele, 2020). The competitiveness of the South African banking sector has historically received little attention, despite being the most developed on the continent of Africa. This has an effect on the performance of industry participants as service providers (Chinoda & Mashamba, 2021).

In order to become the banks of the future, banks in South Africa are now working hard to successfully embrace digital transformation. The digital landscape in South Africa is shaped by changes in supply, which result from new and unexpected competitive domains, and changes in consumer demand, which result from shifting consumer behaviours. The emergence of non-banking institutions in South Africa has expanded the range of competitors facing established financial institutions. In order to preserve their market share and relevance, incumbents may face more pressure to innovate, enhance services, and adjust to shifting consumer preferences as a result of this wider range of competition. Financial services firms that are new and independent have also emerged as a result of the digital market. Customers are now more aware of their requirements and expectations as a result (Fotso, 2020).

There are still major obstacles in the way of the digital banking journey, even as client comprehension grows. Enhanced comprehension of customers enables banks to offer customised services, make focused proposals, and improve overall client experiences. But even with these developments, there are still challenges on the path to digital banking. Significant obstacles that banks must overcome include the need to modernise legacy systems, cybersecurity threats, and data privacy concerns. Furthermore, banks have to manage the challenges of providing smooth, user-friendly experiences across a variety of channels while guaranteeing the security and privacy of customer data as customer expectations continue to change in the digital era. Although being paperless is a part of the process of digitising banking services, the main goal is to improve service delivery through better customer experience (Fotso, 2020).

So, how does the digitalisation of banking affect the main standards for service evaluation? What are the possible advantages of digitalizing customer service in terms of customer satisfaction in South African banking? As a result, the main points of this article are (1) the significance of incorporating customer satisfaction and digitisation into the banking context of South Africa and (2) the degree to which customer satisfaction may forecast the degree of loyalty to the digital system.

Literature Review

Customer satisfaction and service quality

As customers are the lifeblood of any successful business, organisations need to give them greater priority than ever. A range of actions aimed at improving customer satisfaction and the sense that a product or service has exceeded the customer's expectations are collectively referred to as customer service. Enhancing customer service in banks increases customer loyalty and attracts new business (Amoako, 2012). According to some writers, it's the expert act of fulfilling customers' needs and expectations by giving them the best possible services as soon as it's practical. It need to be an ongoing process that gets better with time (Al Ali, 2021).

A deliberate and objective approach to maximising customer-desired outcomes is customer success (Raines, 2022). It is intended to be an additional important instrument in the pursuit of competitive advantage rather than a substitute for customer fulfilment. An organisation's capacity to communicate with its customers more effectively may be facilitated by customer success. This can be achieved through better comprehending customer needs and desires and offering services that cater to them as well. Determining what success means to the customer and contrasting the organisation's customer success metrics with those of rivals are two more strategies for achieving customer success (Raines, 2022).

The necessity of differentiating banking services from other services has been stressed by numerous academics. Some have criticised the shifts in customer expectations and banking systems as being exaggerated and underlined how crucial bank flexibility is to their continued existence. Scholars define flexibility as the ability to adapt to changes quickly and efficiently and to view them as opportunities (Pourmohammad et al., 2016).

Customers of service firms don't buy material goods. Rather, they buy the benefits that goods and services provide. Consumers purchase packages that include goods, information, services, specialised support, and other elements. These bundles provide services, and the value that the customer derives from the bundle comes from the perceived services included in it. Many writers view the relationship among customer loyalty, customer happiness, and service excellence as essential components (Pourmohammad et al., 2016).

Retail bank customers are no different from other types of consumers when it comes to the benefits of high-quality service, which is indicated by Ennew and Binks and referenced by Coetzee, Van Zyl, and Tait (2013). Because the customer-bank connection is so important to maintaining customers, these writers advise banks to give it top priority (Coetzee et al., 2013).

Customer experience is at the core of the notion of consumer empowerment, especially when it comes to experiences that align with customer values. Customers who feel empowered as consumers demand digitally accessible items as well as the sense of empowerment that comes with having much more control over their finances and self-discovery. Giving customers more autonomy through increased access to information, options, and tools that let banks tailor their offerings to individual customers' preferences is known as consumer empowerment (Sahibzada et al., 2020). Banks should strive to look and feel less like traditional banking establishments in order to empower customers and build trust. This can be achieved through the development of systems that are tailored to the needs of non-traditional bank clients or by offering financial services in novel ways.

Customer satisfaction and service quality in South African Banking

While customers in the South African banking sector gain from having more access to digital options, concerns about security, privacy, and services still exist. There are many challenges as well as enormous opportunities in the shift to more digital services. So, the crucial query is how this would change South Africans bank. The banking sector in South Africa has been forced to digitise quickly due to the COVID-19 outbreak and shifts in consumer expectations. Since cashless transactions are quickly becoming the norm, there has been a significant surge in demand for digital financial services. Convenience for customers (a major trend in the sector as previously noted), instantaneous online banking, speedy transaction processing, and reduced banking expenses are some advantages of digitising financial services. These factors all increase customer satisfaction and loyalty (Segaetsho, 2019). Technology used in banking can be beneficial, but only if appropriate security measures are used.

Customers can take advantage of more convenient and effective financial transactions by utilising banking technology. However, the implementation of suitable security measures is necessary to guarantee the confidentiality of client information during transactions. Important actors need to promote a culture of adaptability and cautious risk-taking. This strategy is essential for utilising technology in the South African banking industry. Digital transformation for banks means updating an operating structure that has worked effectively for them for many years and changing internal processes. Consumers place a high value on convenience, and banks are responding to these changing demands by minimising service disruptions.

Customer satisfaction and service quality in the digital era

The goal of digitisation in the banking sector is to give customers a seamless, trouble-free experience. Through accessible and secure digital interactions, it helps banks to improve efficiency, save overhead costs, streamline operations, and increase customer happiness. Customers using branches have decreased significantly in recent years, while the usage of digital banking has increased dramatically (Kamble & Afza, 2018). Customers now have higher expectations of their banks due to their increased knowledge of financial services and the ensuing trend of consumer empowerment (Markku, 2012). Due to the noteworthy repercussions at play, the relevance of customer satisfaction is being further emphasised given the shift in customer behaviour. Customer happiness must be integrated into a bank's value proposition and business model, rather than being seen as merely a fundamental marketing strategy (Nițescu, 2016). One of the biggest benefits of digitising the banking sector is that banks can now offer tailored services according to the needs and preferences of their customers. The goal is to satisfy customers as much as possible. Thus, it is becoming common to see digitization as a necessary component of everyday operations rather than just a choice in order to fulfil the ever-changing demands of the economy and customers in today's uncertain climate (Kamble & Afza, 2018).

The banking industry is evolving along a trajectory that is driven by innovation and the facilitation of access to new products and services (Nițescu, 2016). Banks face increasing competition from non-financial companies, which extends their reach outside the financial services industry. Regardless of the size of the bank, information technology investment has become a critical component of banking operations. Progressive banks place a heavy emphasis on developing strong relationships with customers as part of a service-centric business strategy. In the meantime, market share of traditional banks is starting to fall since they have resisted innovation. As a result, conventional banks need to increase their financial technology expenditures and reassess their service delivery networks. In the increasingly competitive landscape, banks can gain an advantage in competition by integrating financial technology solutions into their operations on time (Romānova & Kudinska, 2017).

Due to the COVID-19 pandemic and the acceleration of digital adoption, customers now choose digital banking that they can use whenever it's convenient for them. Customers now have the option to use financial services efficiently whenever they choose to contribute to their integration into the platforms and products of solely technical financial providers. Customers no longer need to physically visit the branches of their bank to get assistance because of this (BusinessTech, 2023).

Customers now want personalised banking due to shifting consumer expectations and behaviour. With personalised banking, banks use artificial intelligence and machine learning algorithms to analyse the customer data and provide services that are specific to the needs, preferences, expectations, and behaviours of its customers. The utilisation of alternative data has enabled the personalisation of banking services. To increase their market share, non-traditional businesses that only use digital banking technologies, like Tyme Bank, have teamed with a variety of retailers. Through these partnerships, they are able to provide specialised services that are catered to the demands of customers by utilising transaction data and money behaviour patterns. By leveraging customer behaviour, behavioural banking helps people make better financial decisions and manage their finances (BusinessTech, 2023).

A few topics that require further investigation have been discovered from the literature. First, the idea of competitive advantage has not yet been thoroughly investigated, particularly in relation to customer contentment. Therefore, additional investigation is required. Second, the COVID-19 outbreak accelerated market shifts in the banking sector that had previously been noted. Banks must figure out how to take the initiative and deal with these developments while still being competitive. Finally, there is an improvement in customer service and banking quality. Banks are investing heavily in digital technology in order to stay ahead of the competition and give their customers the best possible service. Banks may effectively communicate with their customers and fulfil or even exceed their expectations by leveraging digitalisation and data analytics. In order to reap the benefits of digitalisation, banks must reconsider their customer service and adopt innovative business methods. Therefore, the proposed hypothesis is:

H_1 There is a positive relationship between the digitisation of banking services and customer satisfaction.

Methodology

A total of 150 questionnaires were sent out for this study, and 145 valid responses were obtained, yielding a 96.7% response rate. Only 145 of the 150 responses were valid questionnaire responses that satisfied the requirements for being included in the data analysis that followed. In this quantitative study, a deductive method was used to ascertain the link between the various variables. The individuals having South African financial institutions comprised the study's population. Non-probability sampling, more precisely convenience sampling, was the technique used for the sample. Two elements were taken into consideration when determining the sample size: the type of data analysis and the anticipated response rate. This size took non-response into consideration when collecting and capturing data, and still allowed for a minimum sample size that would provide good statistical results. Data for this research was collected using a self-administered questionnaire. The questions were closed-ended and were in English. A Google Forms link was created for respondents to click on, which led them to the self-administered questionnaire. Factor analysis is employed to ascertain the relationship between the variables under scrutiny and to unveil patterns within the variations. It examines the interconnections among numerous items (questionnaire responses) and categorises them into smaller clusters known as factors.

Results and Discussion

Respondents were asked to indicate their agreement with six statements in Section A, with one signifying strongly disagree and five representing strongly agree. The average for every item used to evaluate the digitisation of financial services is displayed in Table 1.

Table 1: Descriptive mean statistics for digitisation of banking services

Code	Item	Mean
A1	Digital banking platforms make my banking experience quicker and easier	4,35
A2	Digital banking platforms are more convenient	4,24
A3	My bank's digital platforms are easy to navigate	4,09
A4	I prefer using digital platforms over other service delivery channels	4,08
A5	Digital banking has addressed most of my banking needs	4,01
A6	My banking queries are attended to quicker when I use digital banking platforms	3,74

A higher percentage of respondents (mean = 4,35) believed that using digital banking platforms facilitated a quicker and easier banking experience. The mean for every item is > 4, indicating that all except one of the claims about the digitalization of banking services were agreed upon by the respondents. The mean of the items is between 3 and 4, indicating that respondents were more likely to agree with the statement "My banking queries are attended to quicker when I use digital banking platforms," even though one of the items has a mean < 4 (mean = 3,74). As a result, the majority of respondents agreed with every assertion made regarding the digitalisation of financial services.

Table 2: Descriptive statistics for digital banking convenience scale

Summary Item Statistics						
	Mean	Minimum	Maximum	Range	Variance	N of Items
Inter-Item Correlations	0,459	0,459	0,459	0,000	0,000	2

As was previously said, scales with fewer items typically have lower Cronbach alpha values, which is what happened with the convenience of digital banking. Thus, internal consistency was ascertained using the inter-item correlations. The inter-item correlations lie between 0,2 and 0,4, as Table 2 illustrates. This implies a high degree of reliability. Table 2 displays the overall Cronbach alpha for customer satisfaction, which is 0.775. This value is greater than 0.07, indicating reliability.

Correlation and Regression Analyses

The measurement device's reliability has been proven. Two empirical factors for customer satisfaction were identified using the exploratory factor analysis, as was previously mentioned (Factor 1: customer experience, and Factor 2: convenience of digital banking). As a result, the theoretical hypotheses have been updated as follows:

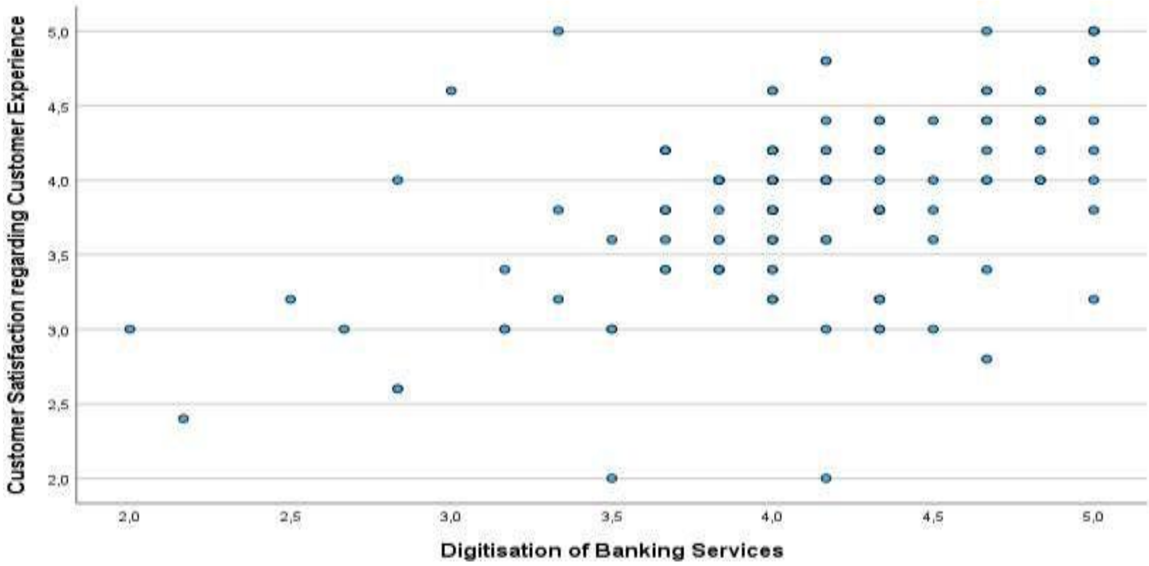
H_{1a}: There is a positive relationship between the digitisation of banking services and customer satisfaction regarding customer experience.

H_{1b}: There is a positive relationship between the digitisation of banking services and customer satisfaction regarding digital banking convenience.

Relationship between the digitisation of banking services and customer satisfaction

Because there were two dependent variables (customer satisfaction with regard to digital banking convenience and customer satisfaction with regard to customer experience), two dependent regression analyses were carried out to examine the relationship between the digitisation of banking services and customer satisfaction.

Figure 1: Linear relationship between digitisation of banking services and customer satisfaction regarding customer experience



(Source: Researcher's own construct)

A positive linear association was seen in the scatter plot illustrating the relationship between customer satisfaction with regard to the customer experience and the digitisation of financial services. With the exception of outliers, all regression analysis presumptions were satisfied. Table 3 and Figure 1, which display the residual statistics and regression standardised residuals histogram, respectively, demonstrate this. Less than −3,3, the minimum standardised residual value was −3,728, indicating a decrease. The outlier was removed in order to prepare the data set for regression, and 144 examples were used in the analysis.

Table 4: Digitisation of banking services and customer satisfaction regarding customer experience correlations

Correlations			
		Customer satisfaction regarding customer experience	Digitisation of banking services
Pearson Correlation	Customer satisfaction regarding customer experience	1,000	0,5297

	Digitisation of banking services	0,5297	1,000
Sig. (1-tailed)	Customer satisfaction regarding customer experience		0,000
	Digitisation of banking services	0,000	
N	Customer satisfaction regarding customer experience	144	144
	Digitisation of banking services	144	144

$P = 0.000$ indicates that there is a substantial correlation between customer satisfaction with the customer experience and the digitisation of banking services. With a Pearson correlation coefficient of 0.5297, a strong positive link is indicated. This is due to the positive correlation coefficient, which is > 0.5. This suggests that consumer satisfaction with the customer experience increases with the level of digitalisation of financial services. One instance was removed since it was an anomaly, bringing the total number of cases down to 144.

Acceptance or Rejection of the Proposed Hypotheses

Following the findings in this chapter, this section discusses the acceptance and rejection of the proposed hypotheses.

H_{1a}: There is a positive relationship between the digitisation of banking services and customer satisfaction regarding customer experience.

H_{1a} is accepted because the relationship is significant. Findings show that the digitisation of banking services is significant in explaining 28% of the variance in customer satisfaction regarding customer experience. This relationship is the second strongest, with a standardised coefficient beta of 0,530.

H_{1b}: There is a positive relationship between the digitisation of banking services and customer satisfaction regarding digital banking convenience.

The results indicate a similar association with H1a, as the digitisation of financial services accounts for 28% of the variance in customer satisfaction about the convenience of digital banking. The relationships are not exactly the same, despite their similarities. A one-unit increase in the digitalisation of financial services yields a 0.525-unit rise in customer satisfaction for the customer experience and a 0.651-unit rise in customer satisfaction for the convenience of digital banking. The correlations are equally strong with a standardised coefficient beta of 0,530, despite the minor discrepancy. H1b is accepted because to the relationship is significant.

Conclusion

According to Raines (2022), customer success is an objective and purposeful approach to maximising customer-desired outcomes. Amoako (2012) describes customer service as a collection of acts intended to increase customer satisfaction. Establishing a platform for customer advocacy and identifying value creation while adapting to market changes are the main goals of customer success (Hochstein et al., 2021). Determining the customer's definition of success and contrasting it with rivals' metrics are important to both strategies. The significance of customer satisfaction as one of the main drivers of successful customer service is reiterated by Coetzee et al. (2013). Customer satisfaction has been identified in the literature as a critical element of successful customer service and as a requirement for retaining customers.

A lot of academics contend that the foundation of competitive advantage is digital transformation. Warner and Wager (2019) concur, arguing that digitalisation and competitive advantage are related. They believe that implementing new digital technologies enhances customer support. Rekettye and Rekettye Jr (2019) provide evidence in support of this assertion, pointing out that a digitisation-driven approach enables personalisation of consumer experiences, which in turn leads to customer happiness and, eventually, successful service for customers. Three crucial processes were engaged in the data analysis process: regression analysis, which was used to evaluate hypotheses, exploratory factor analysis, and descriptive statistical analysis.

Examining the degree to which customer satisfaction in the South African banking sector is impacted by the digitisation of financial services was the secondary goal. Findings from an exploratory factor analysis of client fulfilment showed that using principal axis factoring as the extraction technique revealed the extraction of two factors: customer satisfaction with regard to the convenience of digital banking and customer satisfaction with relation to the customer experience. The theoretical theories were modified to meet the derived customer satisfaction components as a result of this extraction. Regression study revealed a substantial positive link, both with a standardised coefficient beta of 0,530, between the digitalisation of banking services and the two customer satisfaction variables. Among all the examined constructs, these associations ranked as the second strongest. Both were considerable, and the digitalisation of financial services may be held responsible for 28% of the variance in both types of customer satisfaction. The test for both H1a and H1b after the regression analysis indicated that both hypotheses may be accepted. Lastly, industry practitioners can improve satisfaction with customers and fortify their market position by adopting digitisation and integrating it with customer-centric tactics.

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