SERVICE QUALITY, CUSTOMER SATISFACTION AND CUSTOMER RETENTION: A CASE OF PRIVATE BANKING IN SOUTH AFRICA

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DECLARATION

I, Nyameka Phakathi, hereby declare that this research report is my own work except as indicated with references and acknowledgements. This report is submitted in partial fulfilment of the requirements of the Master of Management by Research at the University of Witwatersrand and has not been submitted before for any degree of examination in this or other universities.

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13 February 2023

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Date

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Supervisor

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Date

DEDICATION

This study is dedicated to my late parents, Betty and Dumezweni Building. Thank you for always encouraging me to continuously strive to be the best version of myself. My sister, Thandokazi Building and gogo Cynthia Ngwanya (Makazi) for being my greatest supporters and cheerleaders. My husband, family and colleagues for the support and immense understanding throughout this process. My PMO leads and sponsors; thank you and "do not grow weary in doing good, for you shall reap the rewards at the proper time".

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ABSTRACT

While significant studies exist on service quality, customer satisfaction and customer retention in private banking, little focus has been placed on young professionals within private banking in South Africa. Using the SERVQUAL model, guided by the study's objectives, the study aimed to assess the impact service quality has on customer satisfaction, examine the impact of service quality on customer retention and establish service quality perceptions held by customers in relation to the value of private banking. Furthermore, the study sought to examine the relationships between customer satisfaction and customer retention in the context of private banking in South Africa. The integrative nature of the research strategy, design and philosophy prompted using quantitative research methodologies, drawing theoretical constructs from extant literature on service quality, customer satisfaction and customer retention. Quantitative analysis was used to determine the impact of service quality on customer satisfaction and customer retention, collecting data through self-administered questionnaires distributed to 281 private bank customers. The study found that while service quality is a significant determinant of customer satisfaction, tangibles and empathy have the most negligible impact and that service experience positively impacts customer satisfaction. In addition, while digital adoption is highest amongst young professional customers, the study found that human factors linked to three service quality dimensions, i.e., responsiveness, reliability, and assurance, significantly affect customer satisfaction and require particular focus in private banking. The study's findings have significant repercussions for re-shaping service quality in private banking for young professionals. The study offers a framework that integrates three service quality theories that can be utilised as a guide for improving service quality in private banking in South Africa and other countries, thereby increasing the knowledge base in the area of young professional banking. Future research could focus on the impact of employee competency, loyalty and brand image on customer satisfaction and retention.

Key words: Young Professionals, Private Banking, Service Quality, Customer Satisfaction, Customer Retention, Service Quality Perceptions, Service Experience, Customer Lifetime Value.

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1. CHAPTER ONE: BACKGROUND AND CONTEXTUALIZATION

1.0 Introduction

The global economy is competitive as various sectors try to entice new prospects and keep existing customers. Financial institutions, particularly banks, are at the epicentre of the broader economy, making their performance closely linked with the economies in which they operate. The Financial Sector Regulations Act mandated financial services, including banks, to maintain the functioning of any financial system (South African Government Gazette, 2017). The hospitality, medical and telecommunications industries are equally critical service-driven industries that provide essential services. However, banks function as gatekeepers of a country's wealth since effective banking systems influence the country's economic growth (Islam, Ahmed, Rahman & Al Asheq, 2020).

Numerous forces shape the Private banking industry itself - advancement in technology, innovation, the speed of digital adoption and heightened competition, which requires banks to focus on maintaining healthy customer relationships. According to Collardi (2012), it is crucial to understand customer expectations, fears, opportunities, and challenges, as key drivers to delivering on the promises that private banking customers expect.

1.1 Background to the Study

The primary function of banks is to provide financial services to customers. They must also maintain financial stability and viability, adhere to regulatory compliance, integrate digital technology, and manage risk. Many academics, researchers, and practitioners in the financial services fraternity maintain that providing quality and satisfactory services to customers and society is just as important (Gunawardane, 2021) in emerging and developing economies where banks function as the primary source of funding they serve as the engines that fuel rapid economic growth. Thus, understanding banks' immense role and power could prove valuable, especially in countries lacking adequate and effective legal infrastructures, innovative financial instruments, and technological know-how (Barua & Barua, 2021).

The dominance of foreign banks in the 1990s presented various advantages specific to Africa. International banks brought much-needed technology and experience that amplified efficiency and intermediation and fostered good governance (Beck & Cull, 2013). South Africa, a developing country, boasts an economically competitive and proactive banking system. This enabled South African banks such as Standard Bank and Absa to expand into the African continent at the end of the Apartheid era. However, the year 2020-21 proved to be a challenging period for businesses and financial institutions worldwide.

Since the 2008-09 global financial crisis, the COVID-19 pandemic emerged as the most significant test of the global economy and financial sphere. Financial services organisations, specifically banks, operate centrally to the broader economic setting, connecting their financial performance closely to the economies where they function. As such, challenging economic conditions brought about by the COVID-19 lockdown altered the trajectory of many businesses and affected communities and livelihoods. Globally, economies across geographies were not spared from the damage to the real economy that is manifesting in different ways. The unexpected macroeconomic blow and cost impact on the financial sector, health systems, trade, production, employment, and economic activities had a slipover effect that will impact countries for years. Such damage threatened banks' survival, stability, growth, sustainability, and performance across the globe (Barua & Barua, 2021).

1.1.1 Legislation governing banking

Banks fulfil a vital role that supports the real economy and must evolve and adapt due to competitive and legislative pressures and changing customer demands. This involves putting measures in place to safeguard customer data, integrity and legitimacy from risk. As banks strive to build trusting relationships with customers, banks cannot ignore legislative requirements that protect customers. For this reason, South Africa pioneered the expansion of data privacy legislation just as other countries were starting to expand their data privacy legislation. The Protection of Personal Information Act (POPIA) of 2013 was enacted to prevent predatory data practices. POPIA regulates data privacy as endorsed by the parliament of South Africa to protect customer data from ill use. Organisations doing business in South Africa had until July 2020 to abide by and comply with the guidelines set in the regulation (Jones, 2022).

The eight conditions provided by POPIA for the lawful processing of information need to be adequately understood to comply with POPIA. The first of the eight is accountability, a general requirement that requires organisations to appoint a responsible party to ensure full compliance with the other POPIA categories. Second is the processing information limitation, which ensures that the information processed complies with the laws. It also ensures that only relevant data is collected for a specific purpose, consent obtained, withdrawal possible where required, and data processed in a way that does not compromise participants' privacy. Other categories include purpose specification, further processing limitations, information quality, openness, security safeguards and data subject participation. This category emphasises the need for data processors to be transparent regarding the data's accuracy, purpose, storage, and utilisation. Privacy policies must be promulgated to safeguard data subjects, inform them, and enact mechanisms to protect data against unlawful dissemination, hacking or data breach (De Veiga et al., 2017).

1.1.2 Competition in banking

The Banking industry is naturally very competitive (Rootman, Tait & Sharp, 2011). Amidu (2021) identified six reasons why competition in banking is vital. Amongst other factors, he emphases the proper functioning of financial services, it enables stability in the financial system, improved monitory policy transmissions, and overall economic and industrial growth. Competition also ignites innovation, improved service quality, a product quality, and lower prices that enhance customer’s preference (Amidu, 2021).

The African Banking system experienced significant changes over the past decades. This can be attributed to the dominance of foreign banks in several countries, resulting in privatisation in Africa in the 1980s and 1990s. The end of the Apartheid era afforded the South African banks the opportunity to be expanded into the rest of Africa. Standard Bank, as well as ABSA, were able to expand and increase their footprint throughout the African continent. Similarly, Moroccan, West African and Nigerian banks expanded from West, South and East Africa to the rest of the continent (Beck & Cull, 2013).

Retail banks in South Africa experienced an uptick in competition due to the emergence of digital players, such as Bank Zero, Discovery and Thyme Bank, which disrupted traditional banking. Thyme Bank heralded itself as the fastest-growing digital-only bank, boasting a base of three million customers with in its first two years (Chetty, 2021). Discovery Bank launched itself as the world's first behavioural bank, while Bank Zero maintains its fresh new approach with no legacy systems. These digital players not only challenge the way traditional banking has been done. According to Nel and Boshoff (2021), these banks also drive price wars and increase competition with non-banks and other financial institutions (Hundre, Kumar & Kumar, 2013). The shift towards digitisation was elevated by the COVID-19 pandemic, forcing countries to undergo lockdown and encouraging digital banking. While banks benefited from the increased usage of digital banking channels, other challenges were brought about by the pandemic that banks must navigate.

Competition, especially in the Private Banking market in Southern Africa, intensified significantly over the years. The five major banks in South Africa are measured by tier 1 capital, reaching $10.38 trillion across all banks in 2021 (Writer, 2022). First National Bank, Absa, Nedbank, Standard Bank, and Investec must therefore respond to competition to retain their market share. This called for large-scale product and service quality differentiation strategies and innovation to enable them to leapfrog the traditional banking models and improve customer satisfaction and retention. Since banks offer similar products and services, it is near impossible to prevent customers from shopping around. This is especially true when the service quality standards do not meet their expectations. High Net-worth customers are accustomed to personalized, quick, and efficient services.

1.1.3 Changes in customer preferences

Quick, agile practices and speed to market driven by committed employees have become a permanent phenomenon (Prinsloo & Roopnarain, 2021). Only prioritizing price, quality, delivery, and time are no longer adequate to attain the desired superiority and competitive advantage. To build sustainable business strategies and differentiation, customer experience has emerged as a more powerful tool to fulfil these requirements (Mosa, 2022). To retain market share in a competitive market, banks concede the need to be genuinely attentive to how customers engage, transact, and interpret the value. This presented significant opportunities for banks to transform how they interact with their customers. Using more efficient communication tools incorporating technology and personalization over traditional one-way communication methods that have become redundant (Perwei, 2020). Thus, continuous refinement in private banking offerings, quality of services, focus on the satisfaction of customers, and retention is necessary to compete and survive.

Banks segment customers according to income or wealth status, age (youth, professionals, and seniors) and education levels when addressing their banking needs (Akinci, Aksoy & Atilgan, 2003). From the mass market with high-transactions but low-value segment, the middle market and the high-end to low-transactions- high-value segment, the latter is most desirable and profitable. The South African banking market is filled with low-cost and zero-fee-based accounts to attract the unbanked. However, banks cannot afford to shift their focus away from the lucrative high net-worth segment as new entrants compete to win over the elite. The high entry barriers into private banking ensure that the services are reserved for top-tier income earners. The tax statistics from South African revenue Services (SARS) show that the elite base accounts for about 7.5% of taxpayers. They contribute nearly 50% of the overall personal income tax collected, making it the most desirable market to acquire and retain (Makina 2021).

While marketing efforts focused mainly on acquisition strategies to attract new customers in the 1990s, there was no clear link to customer satisfaction or retention (Hundre et al., 2013). This focus started to shift to maintaining existing customers as banks faced the challenge of refining their retention strategies. The reformulated marketing strategies and the application of techniques to improve customer experience empower banks to cement their relationship with existing customers. The added complexities brought about by the rise in digital communication channels, resulting in more informed customers, require banks to adapt to changing customer behaviours and expectations (Mosa, 2022).

Banks are cognisant of the factors that may impact customer retention or limit customer defection. The costs associated with getting new prospects are often greater than retaining current customers. Hundre et al. (2013) stress that a company's ability to attract and retain customers extends beyond its product or service offering to how it services its existing customers. Furthermore, studies suggest that the core factors that impact customer retention start from the first time a customer interacts with the bank and continues throughout the entire relationship lifecycle. A combination of factors such as the primary offering, quality of services, customer satisfaction, auxiliary services, relationship length, the state of the marketplace and sharing in profits influence customer satisfaction and often lead to successful customer retention.

1.1.4 Responding to changing customer needs

From the above, it is evident that improved service quality involves maintaining high service standards and reducing the time to resolve customer issues. Increasing the speed of processing information and customers' requests substantially affects customer satisfaction. Where customers experience dissatisfaction or discomfort, effective customer complaints handling systems are critical for customer relationship management and retention efforts. Banks may also achieve a distinct advantage through employees' genuine commitment and attentiveness. Listening to the voice of the customers is one way that organizations can gain distinct differentiation and achieve competitive advantage (Mosa, 2022). Hundre et al. (2013) support that having ancillary services such as appropriate sales and service skills contribute to customer satisfaction. Arora and Narula (2018) studied the linkages between service quality, customer satisfaction and customer loyalty. The study proposes using the SERVQUAL instrument to assess customer perceptions concerning service employee competencies. Five dimensions of service quality, Tangibles, Assurance, Reliability, Responsiveness and Empathy, impact customer retention and satisfaction**.** Combined, these attributes can position banks to deliver exceptional customer service, contributing to customer retention and satisfaction.

1.1.5 Service Quality, Customer satisfaction and customer retention

This research study explores the five key service quality dimensions and their impact on the satisfaction and retention of private banking customers in South Africa. Factors like customer demographics, i.e., customer age, employment, and perceptions regarding the value of private banking, were assessed in this study. The prevalence of these factors in private banking, specifically YP portfolios, was used as the baseline for further assessment of the effect service quality has on the retention and satisfaction of customers. Thus, the study integrates different theories to develop a comprehensive framework for the investigating the impact of service quality on customer satisfaction and customer retention.

Researchers (2012) acknowledge the impact service quality has on customer satisfaction. Satisfied customers may not necessarily stay with the same bank, especially since the tendency of switching banks is higher amongst young customers in search of greater convenience (Molapo & Mukwanda, 2011). Thus, Macros and Coelho (2022) suggest that customer trust be increased though satisfaction, which will in turn influence customer behaviour. A wider adoption and re-evaluation of customer retention strategies to reduce customer defection may well be achieved through to technological innovations including internet banking and managing customer relationships (Molapo & Mukwanda, 2011). If banks were to retain their market share as new competitors enter the market, banks heighten their focus on becoming fully digital, competitive, and profitable to meet the changing customer demands. Accordingly, banks started to adjust to new preferences, behaviour shifts, and knowledge of their customers (Collardi, 2012) as one strategy to curb customer defection. This is done by providing a renewed and fresh approach to relationship banking. Efforts to sustain the gains made through enhancements to the private banking offerings and replacing the ageing customer base led to the genesis of private banking for young professionals.

As young professionals enter the world of work, they qualify for private banking offerings. They must tick off a few criteria to access a private banker to service their portfolio. The five major banks that are major players in the private banking space have a set criterion for professionals under the age of 30 (except for Absa and FNB, who cater up to age 35) and hold a four-year qualification. Generally, one cannot go wrong with any of their offerings, and it is essential to choose one that best suites the customer's needs (Van Wyk, 2019). However, turning these young professional customers into life-long customers and maintaining profitable customers can be challenging (Rootman et al., 2011).

1.1.6 Other challenges facing banks

1.1.6.1 Risk

Banks face many risks compared to other financial institutions (Barua & Barua, 2021). Since banks are closely linked to the economy and everyday activities, banks face risks such as reputational and market risk, liquidity, credit, and interest rates risk (Stulz & Carey, 2006; Wilson, 2020). The COVID-19 pandemic increased the severity of these risks, resulting in increased default rates, non-performing loans, and reduced investment terms, triggering contagious bank-runs (Tyson, 2020).

The slowdown in economic activity due to lockdowns led to the joblessness of millions of people. In 2019, over two million people lost their jobs between April to June 2020 in South Africa. About 876,000 went back to work by year-end, resulting in a total loss of one million four hundred thousand jobs compared to the previous year (PWC, 2020). With the easing of lockdown regulations, and economic activity starting to open up slowly, governments were instrumental in assisting businesses with much-needed relief funding. According to the South African Government Treasury (2022), the World Bank granted a 750-Million-dollar loan to South Africa. This was to assist the government in accelerating its COVID-19 response to shield the poor and vulnerable from the adverse socioeconomic impact of the pandemic. This supports and enables a resilient and sustainable economy. South Africa is Africa’s second-largest economy, whose economic performance has a spill-over effect on other African countries; hence, its economic development and recovery are critical in providing an economic boost to the broader African region (Ratshitanga & van Leggelo-Padilla, 2022).

The unexpected changes in monetary policies and legislative relief from global economies enabled the Reserve Bank of South Africa to decrease the interest rate to the lowest degree (PWC, 2020). This relieved both personal and business customers whose livelihoods and earning ability were affected by COVID-19 lockdowns. Customers rely on their bankers to assist them in challenging economic conditions. Providing solutions such as payment holidays, debt relief, and fee waivers indicates that customers expect their banks to support them through unfavourable conditions. While this support may lead to customer retention and possibly an increased customer life value, banks must also gear themselves for a wide range of risks elevated by the pandemic.

According to financial analysis reports by Price Waterhouse Coopers (PwC, 2021) on the 2008 global financial crises, the re-regulation and legislative adjustments set banks in good stead as they entered the COVID-19 pandemic. Accordingly, banks in South Africa moved to a new IFRS accounting standard that ensured banks remained resilient to credit losses through increased credit loss provisions by 38%. Unlike households and businesses who were more susceptible to the economic shock due to being highly leveraged (Conradie, 2021). Lowering interest rates brought much-needed relief to individual customers and businesses but put pressure on the bank’s interest margins, possibly leading to losses across the banking industry (Perwej, 2020).

The unsecured lending category grew by an average of 9.6% per year over the past 12 years (Fintech, 2021). Overall business loans, susceptible to business interruption and company profitability, also increased by 49%. Banks also face liquidity risk, and their actions, together with the government and other financial institutions, play a vital role in the severity of the crisis (Conradie, 2021). While it may take other countries up to seven years after a crisis to recover, Ari et al. (2020) suggest that despite the risk of increasing non-performing loans, valuable lessons can be drawn from the 2008 financial crisis. Some conducive factors to the NPL resolution include higher capitalised banks, no credit boo preceded the COVID-19 pandemic, and some countries may be able to recover rapidly from the impact of non-performing loans.

1.1.6.2 Market share

The South African Banking environment remains fiercely competitive, with the private banking market predominantly led by five main banks: Nedbank, First National Bank, Absa, Standard Bank, and Investec. These full-service banks account for 91% of all bank deposits and 94% of loans; hence, their resilience is critical in ensuring the resilience of South Africa's banking system (Fintech, 2021). Discovery Bank is a relatively new player in the private bank space, with no entry-level banking but an exclusive purple account with the highest income requirement of the leading banks. These high entry barriers ensure that private banking services are reserved for the elite.

High Net-Worth customers contribute nearly 50% of the overall personal income tax collected, as depicted in Table 1.1, making this market highly sought after (Makina, 2021). This lucrative market services high net-worth customers were earning R750,000 per annum (Fintech, 2021). This market accounts for nearly 7.5% of taxpayers. Annual Tax Statistics from the South African Revenue Services (SARS) show that of the 4.9 million taxpayers assessed in the 2018/2019 tax year, 365,800 people earn over the R750,000 mark per annum (Fintech, 2021). About 148,000 taxpayers qualify for the one-million-rand limit set by Standard Bank's signature banking. Around 34,000 customers fall into the R2.5 million limit set by Discovery Bank, a new entrant in the private banking space.

Table 1.1: Tax Table 2018

Tax year	2018 [74.9% assessed]			2018 [74.9% assessed]		
Taxable income group	Number of taxpayers	Taxable income (R million)	Tax assessed (R million)	Number of taxpayers	Taxable income	Tax assessed
A: < 0	27 544	-16 302	1	0,6%	-1,0%	0,0%
B: = 0	99 884	–	1	2,0%	–	0,0%
C: 1 – 20 000	99 813	971	1	2,0%	0,1%	0,0%
D: 20 001 – 30 000	50 102	1 260	1	1,0%	0,1%	0,0%
E: 30 001 – 40 000	56 232	1 980	2	1,1%	0,1%	0,0%
F: 40 001 – 50 000	58 788	2 653	3	1,2%	0,2%	0,0%
G: 50 001 – 60 000	64 292	3 548	3	1,3%	0,2%	0,0%
H: 60 001 – 70 000	70 906	4 620	5	1,4%	0,3%	0,0%
I: 70 001 – 80 000	98 558	7 414	15	2,0%	0,4%	0,0%
J: 80 001 – 90 000	97 361	8 287	117	2,0%	0,5%	0,0%
K: 90 000 – 100 000	104 386	9 925	250	2,1%	0,6%	0,1%
L: 100 001 – 110 000	111 079	11 666	407	2,3%	0,7%	0,1%
M: 110 001 – 120 000	114 538	13 188	547	2,3%	0,8%	0,2%
N: 120 001 – 130 000	115 828	14 482	683	2,4%	0,9%	0,2%
O: 130 001 – 140 000	116 015	15 662	828	2,4%	0,9%	0,2%
P: 140 001 – 150 000	116 597	16 910	979	2,4%	1,0%	0,3%
Q: 150 001 – 200 000	575 526	100 616	7 358	11,7%	6,1%	2,1%
R: 200 001 – 250 000	539 039	121 146	12 403	11,0%	7,3%	3,5%
S: 250 001 – 350 000	867 116	257 901	36 375	17,6%	15,6%	10,2%
T: 350 001 – 500 000	717 157	297 012	55 464	14,6%	17,9%	15,6%
U: 500 001 – 750 000	450 407	272 062	65 727	9,2%	16,4%	18,5%
V: 750 001 – 1 000 000	175 970	150 856	43 337	3,6%	9,1%	12,2%
W: 1 000 001 – 2 000 000	148 337	195 619	64 753	3,0%	11,8%	18,2%
X: 2 000 001 – 5 000 000	34 890	99 131	38 696	0,7%	6,0%	10,9%
Y: 5 000 001 +	6 664	65 858	28 243	0,1%	4,0%	7,9%
Total	**4 917 029**	**1 656 464**	**356 198**	**100,0%**	**100,0%**	**100,0%**
<= 0	127 428	-16 302	2	2,6%	-1,0%	0,0%
1 – 70 000	400 133	15 030	16	8,1%	0,9%	0,0%
70 001 – 350 000	2 856 043	577 196	59 961	58,1%	34,8%	16,8%
350 001 – 500 000	717 157	297 012	55 464	14,6%	17,9%	15,6%
500 000 +	816 268	783 526	240 756	16,6%	47,3%	67,6%
Total	**4 917 029**	**1 656 464**	**356 198**	**100,0%**	**100,0%**	**100,0%**

Source: Makina (2021)

South Africa’s major banks have the core benefit of serving a substantial share of the country’s market. They are well geared to respond to, and address challenges posed by the fast-paced new entrants. The first South African Digital-only bank, Thyme bank, Discovery and Bank Zero, are entirely digital banks launched in South Africa. These banks challenge traditional banking systems and promising low-cost models. According to Camarate and Maritz (2018), globally, only a few banks deliver on the promises and expectations set during launch. Banks that create distinct and clear models of segmentation and differentiation can succeed in the highly competitive global banking markets. Although the number of customers using digital channels has increased, resulting in a more permanent shift in preferences, banks still have the task of educating customers. Since these channels appeal to YP, digital banking must be accessible to all customers (Beyers, 2021).

1.1.5.4 Digital Transformation

Retail banks offer similar products and services, making it challenging to offer the unique services required by customers (Rootman et al., 2011). Digital transformation enables customers to be more aware of alternatives and has increased the extent to which they seek distinguished product offerings in banking (Mosa, 2022). The new way of banking offered by digital banks appeals to the youth and young professionals who demand better service quality. Banking services such as loans and account origination can easily be done digitally. Thus, banks had to strengthen their digital banking and authentication measures to ensure customers transact seamlessly on these channels. Self-service channels serve as an extension of the bank's offering, and the main customer touch points need to be just as effective, with minimal or no human intervention. Banks, therefore, face the task of providing positive and memorable customer experiences tied to solid relationships and unique offerings or services (Deshwal, 2016).

1.2 Study Context

1.2.1 The Retail Banking landscape

This section provides a synopsis profile of the 5 major retails banks with private banking in South Africa in no particular order. Standard Bank is a proudly South African integrated financial services group with a compelling competitive advantage. The bank provides personal, business banking and wealth management solutions, insurance, investment, and advisory capabilities and non- financial complementary solutions. These drive its financial wellbeing and those of their clients at every stage of their financial journey. Standard Bank is the largest bank ranked by assets and earnings amongst South African Banks (Standard Bank, 2023). Absa Bank is wholly owned subsidiary of the Absa group that offers a range of retail, business, wealth, and corporate investment solutions. The bank's ambition includes creating value by playing an integral role in customer's life journey. Investec; an Anglo-South African international banking and wealth management group. It provides a range of financial products and services clients across its core geographies, Southern Africa, Europe and Asia-Pacific. Investec's footprint spans over

40 cities in five continents with over 8500 staff internationally (Investec, 2023). Nedbank is one of South Africa's largest banks and boasts a wide range of wholesale and retail banking services. Its primary market is South Africa and continues to expand well into the rest of Africa. Nedbank is a market leader in digital innovations and boasts over 2.3 million digital customers in 2021 (Nedbank, 2022).

1.2.2 Private Banking

As customer demand increases and their needs change over time, banks have had to build solutions and enhance CVPs and self-service channel features. This was done to simplify how customers interact, obtain products, and receive services from their bank as banks transform from physical delivery to digital delivery (Makina, 2020). In the past, Private Banking and Wealth offered an attractive relationship-based value proposition, allowing high net worth customers to benefit from a personalized banking service linked to a personal banker. Eliminating the need to visit a branch and having one direct contact was the core selling strategy of the private bank offering. This was used to maintain and enhance profitable relationships with clients while ensuring benefits for both the bank and the customers (Rootman et al., 2011). Nowadays, customers can access their banking anywhere without bothering their bankers. The private banker could remain in the background if the digital channels fulfilled their needs.

Banks want a profitable market-share hence the retention of profitable customers should be a non-negotiable, especially for niche markets such as private banking (Fraser & Lebcir, 2018). Older and high-income earners maybe more desirable and profitable. However, they may also have exhausted all private banking benefits and may no longer see the value of private banking. They are no longer looking to invest in property and have existing wealth or investment portfolios and, more importantly, may not have time on their side. Downgrading to more straightforward, low-cost accounts that cater for day-to-day transactions ultimately leads to the exiting of the private banking relationship. Banks may be accused of charging high fees if they do not cater for these older customers and their changing needs.

To gain access into the world of the elite without earning the required income allowed for relaxed entry barriers for young professionals. The flexible income criteria offered by

Nedbank, Absa, and Standard Bank for young professionals allow for a more extensive base to be eligible. The portfolio consists of a transactional bank account, often accompanied by a black card, aimed at reflecting the career ambitions of these customers. The Young Professionals CVP comprises discounted pricing, interest rate rebates, and exclusive YP-tailored offers. These include access to a dedicated private banker as the primary relationship owner and a suite of benefits like financial advice, tailored credit solutions, financial planning, customized online banking options, seed capital to start investing, customer loyalty rewards, and invitations to exclusive events. The package offers a range of financial solutions designed specifically to attract young professionals in careers that have a healthy near-future earning potential. The main benefit is that they enjoy private banking status and benefits without earning the required qualifying income to become a private bank client.

As young people enter the world of work, the multitude of financial decisions that lie ahead for first- time job entrants can be very overwhelming. Young professional customers can therefore benefit from a private banker's services. In turn, the banker can influence the satisfaction, support, and retention of young professionals through superior relationship marketing (Rootman et al., 2011). According to Collardi (2012), customers expect their banker to be a reliable and trustworthy partner, dependable and appealing to their senses and emotions. Banks can support their financial needs and capture this lucrative market by appreciating the aspirations, preferences, and frustrations of YPs through the development of data and customer-driven experiences across all customer touch points (Deloitte, 2018).

1.2.3 Young Professionals

Seabury (2016) states that the generational gap also impacts customer service. This market consists of digitally savvy customers who value the convenience that comes with digital banking. So, unlike older customers, who may seem like better business prospects due to their high earnings and loyalty, YPs are not accustomed to traditional banking. They expect digital solutions catering to their need to be on the go. Banks must acknowledge and adapt to the changing world (Collardi, 2012) by fulfilling this demand or risk losing them to competitors.

The need for agile digitization and enhanced self-service options empowering customers with tools to manage their finances forces banks to re-think, re-engineer and improve their digital self-service offerings. Digital banking solutions that enable customers to do their banking anywhere at any time make handling finances easier. These empower customers with tools and products that are easy to navigate, user-friendly and appeal to young professionals. Electronic banking is a highly competitive and rapidly growing industry. Banks compete based on the latest technology, user-friendly websites and 'first to the market' product offerings. Therefore, self-service banking benefits both the bank and the customer. Banks benefit from reduced transactional costs and branch loads, while customers benefit from improved customer experience and convenience (Sindwani & Goel, 2014).

The use of digital banking services was elevated by the COVID-19 pandemic that hit South Africa and the world in 2019 (Makina, 2020). According to Lightico's (2020) survey that assessed the effect COVID-19 had on banking, 63% of customers surveyed were now more motivated to use new online applications or websites than pre-pandemic. At first glance, the young professional’s customer base may be relatively unattractive due to their limited earnings. However, as they grow and their careers advance, they become more affluent and need financing for life projects such as homes, vehicles, student loans and other financial goals. Today’s young people are tomorrow’s profitable customers, even though banks have not given sufficient attention to this customer base. Banks can benefit from helping young professionals improve their lives at essential phases, thereby building long-term relationships and customer loyalty.

Since most customers often stay with their first bank (Deloitte, 2018), it is imperative to forge enduring and rewarding relationships with young professionals. This can be done by designing products and services that appeal to them. As young professionals move from being first-timers to becoming a profit-generating segment, so will their service expectations from their bank and private bankers. Banks, therefore, need to adapt to changing demands by evaluating their products and services across all customer touchpoints, especially the youth market.

The youth and student market require particular focus to capture a share of the next generation of young professionals before competitors grab them. This requires banks to move fast and be intentional with acquiring strategies before competitors get to them first. The banking sector already faces competition from no-bank rivals offering payment services and digital solutions such as loans, investments and other services traditionally carried out by banks only. The likes of Samsung Pay, SnapScan and iPhone Pay are some of the financial technical (fintech) solutions customers use to pay without a bank card. Providers such as Credit score and Hippo also offer customers a range of quotes from various financial institutions, suggesting what the customer might qualify for without actively seeking these services. As such, banks need to be more pro-active in capturing and keeping YPs.

1.3 The Research Problem

Young Professionals are on-boarded into private banking due to the low entry barriers and attractive value propositions. Banks offer attractive pricing and rebates to acquire YPs. These include interest rate rebates ranging for Prime less 2% for vehicle finance (Standard Bank, 2022), getting three times the monthly fee back in rewards (FNB, 2022), and free airport lounge access. Investec offers reduced monthly fee to young professionals until the age of 30 (Investec, 2023). While this market is less profitable in the early stages of the relationship, it promises future growth prospects based on healthy near-future earning potential. Since most customers tend to stay with their first bank (Deloitte, 2018), every effort is made to entrench YPs by increasing their product holding by an average of three products per customer at on-boarding, making it difficult for customers to defect (Hundre et al., 2013). However, the acquisition efforts and the promise of a seamless customer experience leading to loyalty and the creation of trusting long-term relationships (Subramanian, 2018) do not always translate into the desired customer behaviour. The rate of customer defection and customer attrition range from

7% in high exit industries such as banks (Mecha, Martin & Ondieki, 2015). Fraser and Lebcir (2018) emphasize that customer retention has multidimensional attitudinal and behavioural constructs. Customer loyalty is, therefore, a core antecedent of customer retention and should be prioritized as banks strive to protect their existing customer base through better-quality value propositions and differentiation. To serve better, intentional upskilling and reskilling of the employees that serve in these spaces need to be made.

The need for speed and more sophisticated banking widens the gap between customer expectations and what the customers experience. Many contributing factors lead to customer dissatisfaction and low customer retention, but service quality is the most common. Many scholars studied service quality, customer retention, and the measurements employed to evaluate it in banking. Some focused on private banks (Islam, et al, 2020), commercial banks (Haripersad & Sookdeo, 2021) but limited focus placed on young professionals within the private banking segment. Banks must re-imagine how services are delivered and improve their CVPs to meet the changing customer demands based on their life stages (Camarate & Maritz, 2018). This calls for large-scale service quality, product differentiation and innovative strategies to leapfrog traditional banking.

Subramanian (2018) states that connected and engaged employees are crucial to delivering the superior customer experience that private banking customers seek. As customers find alternative ways to interact with their banks, the need for human-to-human interaction slowly diminishes (Ganguli & Roy 2011). To capture the young professional market, employees must align service quality standards with their CVPs. This will, in turn, drive the use of customized banking solutions and customer retention. Thus, the need to get, keep and grow young professionals into fully fledged profitable private banking customers has become essential. This paper explores the impact of service quality perceptions using five SERVQUAL dimensions by examining the inextricable relationship between customer satisfaction and retention using private banking data from retail banks in South Africa. This study further informed the creation of a framework for understanding the impact of service quality on customer satisfaction and retention while extending knowledge in the area of young professional banking.

1.4 Research Objectives

- To assess the impact service quality has on the satisfaction of private banking customers in South Africa.
- To examine the impact service quality has on customer retention of private banking customers in South Africa.
- To examine the relationships between customer satisfaction and customer retention in the context of private banking in South Africa.
- To establish how service experience perceptions impacts the customer satisfaction and retention in relation to the value of private banking in South Africa.
- To establish a framework that banks in South Africa can adopt to extract maximum customer lifetime value in view of service quality perceptions.

1.5 Research Hypotheses

- *H1: Service quality has a positive impact on customer satisfaction*
- *H2: Service quality has a positive impact on customer retention*
- *H3: Customer satisfaction has a positive impact in customer retention*
- *H4: Service experience has an impact on customer satisfaction*
- *H5: Service experience has a positive impact on customer retention*

1.6 Rationale of the Study

Banks encounter relatively unique challenges compared to other financial institutions as their performance is linked to the economies in which they operate. Services, which are already intangible, make measuring customer satisfaction even more challenging as banks strive to retain their customer base. Serving high-net-worth customers present a particularly unique set of challenges calling for deliberate investments in the quality of service and product range. This research intended to contribute to the literature by investigating the impacts service quality has on the satisfaction of customers and the retention of customers within the sectors of private banks in South Africa. The study was also purposed to evoke discussions regarding customers' perceptions of the relevance and value of private banking by zoning in on service experience.

The study offers guidelines that could help banks improve overall service experience through effective service quality delivery. Investigating the relationship between customer satisfaction and retention could enable banks to make informed decisions when designing customer value propositions for private banking customers. From a theoretical point of view, this study contributed by combining three service quality theories with the American Customer Satisfaction Index model in investigating the phenomenon of service quality, customer retention and customer satisfaction. The research findings provided empirical evidence that could enable banks to improve the quality of services, satisfaction of customers, private bank services and retention.

1.7 Delimitations and Scope of the research

This study was limited to only investigating service quality and its impact on customer satisfaction and retention. The research was restricted to integrating three service quality theories (the expectation and perception gap model, known as the SERVQUAL, SERVPEF and the Internet Banking (IB) model. It looked at service quality dimensions, i.e., reliability, responsiveness, assurance, empathy, and tangibles. Service experience and customer lifetime value were explored to discover how service quality perceptions judge the value of private banking. The study focused only on the portfolio of young professionals within private banking in South Africa. Customers who do not hold a private banking or professional banking account were excluded from the study. This was done to focus solely on the targeted segment.

1.8 Key Assumptions

The below assumptions were made in guiding the research:

- The respondents participated voluntarily and were truthful and sincere in answering the research questions.
- There existed no differences in respondent's understanding, perceptions, and attitudes regarding the different bank's private banking offerings for young professionals
- The assumption supported the generalization of customers' perceptions and attitudes across the different private banks.

- Respondents understood the terms young professionals banking, private banking for professionals and or professional banking as being the same or used interchangeably.
- The respondent’s age and length of relationship in private banking were used as the main differentiator for “normal” high net worth private customers versus professional banking customers (ages 35 and below)

1.9 Definition of key terms

- **Private Banking customers**: are individual or personal account holders at retail banks. They enjoy the unique lifestyle and travel benefits often tailored according to price and differentiated by card types based on their needs and portfolio within private banking (Molyneux & Omarini, 2005). They fall into specified income brackets as per set criteria.

- **Young Professionals (YPs):** these are personal bank account holders who belong to a specific portfolio within private banking. Individuals under the age of 35 hold specified qualifications per bank criteria and earn a minimum or no set minimum income in some instances (Standard Bank, 2018).

- **Customer Value Propositions (CVP)**: also referred to as service offerings designed and tailored for specific segments in banks. These are aligned to the bank’s segments, such as private banking. The services available to private bankers may not necessarily be available to customers outside of private banking.

- **Customer Lifetime Value (CLV):** the expected net worth or net revenue from a customer generated over the life of the customer-bank relationship and derived from the fees recovered or interest earned from the use of services and products obtainable at banks.

- **Customer Service Teams (CST):** the frontline team that supports the relationship manager by attending to day-to-day transactional queries and requests. In private banking, this team comprises transactional bankers with the knowledge, skill, and capability to assist high-net-worth customers with scores of applications and complete relevant forms.

- **Market:** refers to prospects with similar banking-related needs, willing to offer and receive something of value in return for products or services from providers that satisfy their needs.

1.10 Dissertation Structure

1.10.1 Chapter One: Introduction and Background

This chapter introduced the study as well as the background and contextualization for the study. This included the problem statement, research objectives and questions the study aimed to investigate, and the methodology employed. In line with the study's objectives to examine the impact of service quality on the satisfaction and retention of private bank customers, a particular focus was placed on young professionals.

1.10.2 Chapter Two: Literature Review

In the literature review chapter, a comprehensive review of past literature on service quality, customer satisfaction and customer retention is examined in line with objectives one and two of this study. The relationship between customer satisfaction and customer retention is explored in relation to the impact of service quality dimensions and the gaps existing in private banking as a service-driven sector. Chapter two also includes the Theoretical and Conceptual framework of the study that probes the underlying theories underpinning service quality, including the integration of three service quality theories, i.e., SERVQUAL, SERFPERF and the INTERNET BANKING model. Objective five is achieved through a framework proposed to capture customer lifetime value. The literature draws findings from different authors to answer research objectives three and four.

1.10.3 Chapter Three: Research Methodology

Chapter three outlines the research's design, philosophy, strategy and procedure for collecting and analysing data. It also describes the chosen qualitative methodology utilized and addresses data quality and technical issues, i.e., validity, reliability, and generalizability.

1.10.4 Chapter Four: Presentation of results, analysis, and discussion of findings

This chapter presents the study's results, data, and conceptual framework. The data analysis and main research findings are described and presented. The study's findings are discussed in this chapter based on research questions and hypotheses. The results are interpreted, and the academic and managerial implications are explained and linked to existing literature.

1.10.5 Chapter Five: Conclusion and recommendations

The chapter concludes with a summary of the study by emphasizing the major findings, recommendations drawn from the research, and suggestions for future research based on the conclusions.

1.11 Chapter Summary

Chapter one provided an overview of the research problem and a more in-depth problem review drawing form the legislative landscape governing banks and other challenges facing banks. The research objectives and questions were presented, seeking to address the gap in private banking for professionals. A synopsis of the conceptual framework, proposed hypotheses and research approach utilized by the researcher were showcased. A view of the study's limitations, scope and critical assumptions were presented together with the overall structure of the study. The following chapter presents an exposition of existing literature from different authors about service quality, customer satisfaction, retention, experience and CLV.

2. CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

In the previous section, a case for the study was built, reflecting the global landscape and competitive environment in which banks operate. Legislative requirements that the banks need to fulfil amid challenges and risks facing the economy were explored, along with the need for a more stringent focus on serving the elite or the risk of losing them. The emphasis on improved value propositions that suit the changing customer needs has become more apparent and requires banks to focus on young professionals within private banking. This section reviews the literature in line with the stated objectives. It entails theoretical fundamentals of service quality, service experience, customer satisfaction and customer retention and CLV to establish a conceptual framework for the study. The trends and views of different authors are discussed to build an academic case using the constructs that formed the basis of the problem statement. In the fast-paced world of digital evolution and fierce technological advancements, relying on traditional competitive mechanisms alone is insufficient to retain customers. Research shows that to attract new prospects and keep existing customers, banks must improve their ability to serve customers using modern technologies and methods to respond to customer demands (Mosa, 2021).

2.1 Banks as service organisations

Banks play a vital role in bolstering the economy, offering an array of products in the form of banking services to people from all walks of life. While banks cater to all customers requiring financial services, class banking has replaced mass banking (Gayathri & Rekhapriyadharshini, 2022). According to Abdul Rahuman, Mohamed Akram and Siraji (2022) businesses including banks experienced radical changes brought about by global industrialization. These include economic changes, advancements in technology, and customer preferences, prompting banks to evolve towards fulfilling the changing financial needs of their customers.

The unique characteristics of services call for a more customer-centric and hassle-free approach designed to meet customer expectations to satisfy and retain them. Offering quality core service alone is no longer adequate for achieving competitive advantage. Customers place a premium on the positive engagements and trustworthiness of service employees (Hundre et al., 2013). Therefore, rational, social, and emotional elements must frequently accompany core services (Paluch, Wirtz & Kunz, 2022). Services are intangible acts or performances offered by one party to another that do not result in ownership since they may or may not be linked to a physical product.

2.1.1 Characteristics of services

Gourida (2022) further unpacks service characteristics and how they impact service quality and the satisfaction of banking customers. The first characteristic is the intangible nature of services. Since services do not hold any form or shape, they cannot be experienced through the five senses; touched, seen, tasted, smelled, or heard. This makes decision-making complex and measuring quality or value difficult for customers; hence evidence is sought in quality and other service attributes. Secondly, services are inseparable from the person, making service employees imperative in delivering superior services. Services are also heterogeneous and nearly impossible to standardise due to the effort and pressure to satisfy customer needs. Dabestani et al. (2016) emphasise that many other factors influence how service quality is perceived or expected, making it imperative for banks to improve their efforts towards consistent service quality. Losing out on an opportunity to sell a service means the service cannot be recovered. This makes services highly perishable compelling banks to make every effort to recover service breakdowns to retain their customers. Lastly, one of the service's primary features is the lack of ownership when services are delivered; customers only have access to utilise the service or facility.

2.1.2 Categories of Service

Services components can be major or minor and thus categorised into five offerings. Kotler and Kevin (2011) outline these categories as, pure tangible goods, tangible with accompanying services, hybrid, major and lastly pure services. Gourida (2022) further expatiated the categories of service; firstly, the pure tangible goods refer to tangible or physical goods with no accompanying services. Second, tangible goods with accompanying physical or tangible services such as cars, cell phones or computers are accompanied by supporting services with varying qualities depending on the technology linked to the goods. Gourida (2022) explained the third category as hybrid services involving tangible goods such as food services in restaurants. The preparation and delivery thereof usually judge these. Fourth; major services are accompanied by minor goods, and the services require capital-intensive goods for effective delivery; typically, travelling by flight requires an aeroplane with significant services. Finally, pure services are primarily intangible such as psychotherapy (Gourida, 2022). Services offered by banks fall into the hybrid category. The bank card or internet banking is used to access the funds in a bank account or a financed facility like an overdraft or home loan. In the case of private banking, the black card could be seen as a status symbol, especially amongst young professionals. The intangible nature of banking services makes it hard to measure the quality and value of services; thus, customers look for other characteristics and evidence of quality. Hence, service quality is one of the widely used measures of service through the SERVQUAL scale (Parasuraman, Zeithaml & Berry, 1988).

2.2 Service Quality

Soni (2018) defines service quality as a process aimed at providing a solution to a customer’s problem through a series of less elusive activities. These occur between a customer and the service provider’s employees, physical resources, or systems. It further describes service quality as a cognitive judgement, indicating customers' global judgements on a particular service relative to its inferiority or superiority. Service quality is defined as the comparison between perceived and expected service. In other words, where the service received is expected, service quality is said to be excellent and satisfying. When customer expectations are exceeded, then service quality is perceived to be very good and of quality. Consequently, where the service received is lower than expected, the service quality is perceived to be poor. When customers receive superior service quality, their perceptions of a brand increase and lead to repurchases and recommendations to others. Customers, therefore, judge product excellence based on perceptions of what they consume and what they are given (Marcellia et al., 2021).

Service experience is one of the cornerstones of private banking and a crucial driver of customer loyalty and profitability. Customer satisfaction and loyalty underpin service quality and cannot exist isolated, particularly in private banking. However, scholars found quality to be a key feature of strategic management that drives satisfaction and loyalty and is critical for any business's long-term survival and success (Kyriazopoulos, 2011). On the other hand, Mukupa and Jere (2018) believe that service excellence contributes to customer retention and loyalty and provides a foundation for differentiation. The study thus proposes that service quality dimensions positively impact customer satisfaction and retention.

2.2.1 Service Quality Dimensions

Customers consider various factors when evaluating service. Empirical studies conducted by Zeithaml and Berry in 1988 in numerous sectors developed and defined SERVQUAL as a multiple-item instrument that quantifies the service expectation and perception gap along five generic dimensions as outlined by literature (Ahmed, Tarique & Arif, 2017; Rahman et al., 2019). According to Zeithaml and Berry (1988), the most enduring measure is the five-dimensional model comprising reliability, responsiveness, assurance, empathy, and tangibles. The dimensions can be applied to various service sectors, from banking, hospitality, airlines, restaurants, and construction to professional services. Soni (2018) explains service quality dimensions as customer judgements during service delivery. These judgements consist of some intangibles and output quality, measured after the services have been delivered and consumed.

2.2.1.1 Tangibles

Tangibles refer to the service quality model representing a service provider’s physical appearance of facilities and visible structures (Hamilton-Ibama & Ihunwo, 2022). These include equipment, staff, marketing collateral, and ambient, conducive, and comfortable conditions for customer interaction (Gourida, 2022). The physical amenities, layout, equipment utilized for services, and how employees appear. Customers often trust the noticeable symbols surrounding services since no physical elements exist to evaluate services (Tarkang, Yunji, Asongu & Alola, 2021). While services are characterized by intangibility, they are also inseparable from the service provider’s facilities and staff; thus, tangibles are essential in delivering quality services. Consistent with study results from Bhatta and Durgapal (2016), who found tangibles amongst others to have strong correlations to customer satisfaction and statistically significant predictor of customer satisfaction.

2.2.1.2 Reliability

Reliability entails delivering services dependently and correctly in a consistent and timely manner to influence customer satisfaction (Boateng, Adesi, Yeboah, Oduro & Sackey, 2021). Companies that deliver on their promises increase customer satisfaction and confidence in their services and ultimately improve performance (Ahmed et al., 2017). Reliability is also ranked as the first dimension of service quality, enabling the delivery of services dependently and accurately in a manner that is sound and reliable (Gayathri & Rekhapriyadharshini, 2022).

2.2.1.3 Responsiveness

This dimension entails preparedness and willingness to serve customers by providing rapid services. Banks' responsiveness to their customers' needs positively impacts customer satisfaction and validates the quality of banking services offered (Boateng et al., 2021). The readiness and willingness of staff to assist customers, making them feel safe and secure, demonstrates care and personalized attention (Gourida, 2022). These attributes are critical in the satisfaction and retention of private bank customers.

2.2.1.4 Assurance

Courteous and knowledgeable staff that stimulates trust and confidence is called assurance. This also entails the employee’s ability to transmit validity and reliability (Gayathri & Rekhapriyadharshini, 2022). According to Kitapci, Akdogan and Dortyol (2014), employees should possess the required skills and knowledge to deliver excellent customer service. As demonstrated by employee commitment, traits such as courtesy, respect, consideration, and friendliness inspire trust and confidence in the service provider. Therefore, assurance positively influences customer satisfaction (Ahmed et al., 2017) and should be given greater attention over other attributes (Abdul Rahuman, Mohamed Akram, & Siraji, 2022).

2.2.1.5 Empathy

Empathy refers to care given to customers through individualized attention and personalized services based on their demands. Employees' capacity to comprehend, recognize regular customer behaviour, expressed needs and preferences, and pick up on trends or anomalies is vital (Tarkang et al., 2021). This is a process employed by banks through customer due diligence. Bankers in the relationship banking segment must hold close relationships with customers to recognize regular transacting habits and learn their specific requirements. While digital and self-service banking may limit human contact, customers still want to be made to feel unique and special (Gourida, 2022) in their interactions with their bankers.

2.3. Measuring service quality perceptions

Given the need to maintain development and sustainability in the current competitive environment, businesses understand the need to constantly meet customer expectations. Past research echoes the importance of examining customers' perceptions of service quality and how businesses deliver on customer expectations. Service quality received increased focus and acknowledgement since high service quality produces growth in market share, profitability, and positive customer behavioural intentions (Dagger & Sweeney, 2007). More recently, researchers have acknowledged that the quality of services is heterogeneous, owing to the many factors that influence how service quality is perceived or expected (Dabestani, Shahin, Saljoughian & Shirouyehzad, 2016). New generation customers evaluate service quality from different aspects and are prepared to consume the latest technology in pursuit of speedy and effective service (Malik, Akhtar, Raziq, & Ahmad, 2018). Therefore, attention must be paid to how customer perceptions unfold during the service experience to maintain high service quality throughout the entire relationship life cycle (Dagger & Sweeney, 2007).

In banking, service quality has been used to measure customer perceptions relating to services in branches, contact centres, products offered and against competitors. Service quality measurements have also been applied to commercial banks and public banks. Service quality scales are adopted in retail banking to measure customer satisfaction and loyalty. One of the most common service measurement instruments amongst banks is mystery shopping and Net Promoter Score (Eger & Micik, 2017). Fred Reichheld developed this instrument in 2003 to measure customer experience after service consumption and the likelihood that the customer will recommend the company (Potomac, 2014). The also instrument evaluated the banker and gave a good indication of customer retention or defection rates. The critical attributes are communication, accessibility, staff disposition, service excellence and convenience. These attributes link with service quality dimensions that require people to execute.

On the other hand, Wirtz et al. (2018) contend that automation and robotics are considered the future of service industrialization. This is especially true since employee skill and effort inform the level of customization and personalization. Service employees also present unintended bias, need to be trained, and always act as individuals, not part of a connected system. They further concede that service employees have genuine emotions and engage deeply and creatively in problem-solving. They think out of the box and prove to be a valuable source of competitive advantage.

The SERVQUAL model explains service quality based on the gap between the expected service level and customer perceptions regarding the level of service received. From the above, it can be deduced that perceived service and expected service are influenced by service quality, including employees, making them critical in measuring perceived service quality. Thus, knowing how customers perceive products and services and assess their quality is critical for banks and marketers.

2.4 Customer Satisfaction

Many researchers have highlighted the positive impact service quality dimensions have on customer satisfaction and desired behavioural outcomes like customer retention. Some pointed out the significance or insignificant effect of some dimensions on customer satisfaction and retention. The relationship between service quality and customer satisfaction and retention is evident, which cannot exist in isolation. Customers of all types, whether corporate or retail, remain vital in banking (Islam et al., 2020). Hence, satisfying customers is closely linked to service quality which lies at the core of banking. Customer satisfaction arises from satisfaction towards goods or services that exceed the customer's expectations regarding quality and service. According to Manorselvi (2021), the difference between what is expected and what is received determines a customer's attitudes or behaviours towards a service provider. This then gives rise to an emotional reaction towards the satisfaction of their needs.

Boateng et al. (2021) describe customer satisfaction as the starting point of performance and an achievable standard of excellence for any organization. Customer satisfaction considers product performance attributes such as technical sophistication, durability; user-friendliness; and judgments. These are essential attributes private bankers should possess to satisfy customers. This then extends to interpersonal interactions between the employees and customers to meet a customer's needs. The complexity of customer satisfaction definitions makes it difficult for organizations to understand the essential requirement of customer satisfaction, which is underpinned by feelings and customer emotions. Hence, it is crucial to focus on a person's feelings of pleasure, disappointment or indifference that affect the purchase when measuring customer satisfaction.

In marketing literature, service quality and customer satisfaction have been closely related. These two constructs have a positive relationship (Rahman et al., 2019). According to Nguyen et al. (2018), some mediating factors between customer loyalty and satisfaction include perceived switching costs and the absence of attractive alternatives. Research focusing on factors like quality, image, and price may be necessary to assess the perceived value that will result in customer satisfaction.

2.4.1 Measuring Customer Satisfaction

In the 1990s, marketing research focused on perceived value and compromises between value and sacrifice for an offering. Numerous empirical studies also examined the importance and effects of perceived value on customer satisfaction in services but yielded mixed results. It can, however, be concluded that customer satisfaction is less price-driven and more quality-driven (Nguyen et al., 2018). The American Customer Satisfaction Index is a model that is widely used to measure customer satisfaction across various sectors. The model contains service quality constructs, expectations and perceptions that influence perceived value, leading to satisfaction or dissatisfaction. These ultimately determine repurchase, turning loyal customers into lifelong customers who can be retained. Therefore, this study proposes that service quality dimensions positively impact customer satisfaction (H1-H5).

2.4.2 The impact of service quality on customer satisfaction

Customers evaluate the quality of services based on services consumed, and then judgements are made. Service quality reveals perceptions held for reliability, assurance, responsiveness, empathy, and tangibility. On the other hand, satisfaction can be influenced by perception relating to service, product quality, and cost and considers personal and situational factors (Nguyen et al., 2021). Therefore, the relationship between service quality and customer satisfaction is essential. The result is customer satisfaction when service or product quality meets customer expectations. If not, it leads to dissatisfaction. Furthermore, customers are less likely to be satisfied without improving service quality based on the customer need. Thus, product and service quality are critical to achieving customer satisfaction. Thus, the study hypothesized that:

***H1**: Service Quality (SQ) positively impacts customer satisfaction in private banking*

This hypothesis (H1) is therefore supported by the five items namely the service quality dimensions outlined below.

2.4.2.1 Tangibles and customer satisfaction

Tangibles impact customer satisfaction as customers tend to trust noticeable symbols surrounding services and gain confidence in service employees since no physical elements exist to evaluate services; this sets the tone for meeting their expectations (Tarkang et al., 2021). Thus, the study hypothesized that:

2.4.2.2 Reliability and customer satisfaction

Reliability influences customer satisfaction where the delivery of services is consistent, timely, dependent, and correct (Tarkang et al., 2021).

2.4.2.3 Responsiveness and customer satisfaction

Responsiveness affects customer satisfaction positively, where banks respond quickly and willingly to the needs of their customers and validate the quality of banking services provided (Boateng et al., 2021).

2.4.2.4 Assurance and customer satisfaction

Assurance significantly impacts customer satisfaction, where courteous and knowledgeable staff stimulate trust and confidence and are therefore geared to deliver excellent customer experiences (Kitapci, Akdogan & Dortyol, 2014).

2.4.2.5 Empathy and customer satisfaction

Empathy enables staff to serve with care, recognize and comprehend regular customer behaviour, needs and preferences, and pick up on customer trends (Tarkang et al., 2021). This leads to personalized service and customer satisfaction.

2.5 Customer retention

Lainamngern and Sawmong (2019) describe customer retention as the process by which an organization identifies and preserves a relationship with its major customers. Banks are constantly looking at factors that influence customer retention. These include price, loyalty, quality, trust, value, switching barriers, satisfaction, and time. Research indicates that nearly 70% of companies lost customers because of poor customer service, while less than 15% can be attributed to poor product quality (Eger & Micik, 2017).

Banks may benefit from negative customer feedback and use it to diagnose and assess defects in their complaints handling processes and enhance their retention capabilities. The most prominent customer complaints are aspects of delays in sending customer statements, service breakdowns and errors, and exaggerated or exorbitant bank fees. However, how banks respond to recover service breakdowns and handle these complaints is vital for customer retention and acquisition.

A company's first interaction with its customers is the starting point for effective customer retention and proceeds through the relationship lifecycle. This involves exceeding customer expectations and turning them into long-term customers and brand advocates (Hundre et al., 2013). Businesses can use data to navigate customer expectations where the business performance landscape requires an integrated view of customer experience (Mosa, 2021). Thus, customer retention entails recognising when customers are at risk of leaving, determining reasons for loss of interest, and keeping them from wandering off through data.

2.5.1 The impact of service quality on customer retention

In the 1990's most marketing activities focused on acquiring new customers. It focused on customer loyalty and satisfaction with no link to customer retention. However, in recent years, focus on maintaining existing customers has become vital for organizational survival. Today's customers are more knowledgeable and do not accept the first offer they receive. Customers compare offers and choose one that best suits their needs or switch to competitors. Customer retention strategies exist to reduce defection (Hundre et al., 2013). Molapo and Mukwanda (2011) suggest that re-evaluating customer retention strategies can help limit defection through enhanced professionalism; hence, understanding customers is vital.

People are key to the success of any business. Most service quality dimensions rely on bank employees to deliver on brand promises. Responsiveness, Assurance and Empathy are all attributes that employees need to delight customers and retain them. One of the benefits of customer retention is employee satisfaction, which is derived from satisfied customers. Satisfied customers tend to stay and be retained. However, retaining the right customers call for proper client segmentation, which is an essential issue for customer retention and acquisition (Molyneux & Omarini, 2005). Just as banks try to retain customers through loyalty rewards programs, Mecha et al. (2015) suggest that the salesforce should be rewarded for retaining customers. This will motivate employees to act quickly to recover from service failures while building good relationships with customers.

According to Rahman et al. (2019), there is a positive relationship between customer satisfaction and loyalty and the link to behavioural intentions such as customer retention. Some researchers concede that total customer satisfaction is a pre-condition of proper customer retention. Hence, the researchers deduce that customer satisfaction positively affects customer retention. Therefore, this study proposes that service quality perceptions significantly impact the customer retention of private bank customers.

- ***H2**:* Service Quality perceptions (SQ) *have a positive impact on customer retention in private banking.*

Hypothesis H2 is thus supported by the five items namely the service quality dimensions outlined below:

2.5.1.1 Tangibility and Customer Retention

Tangibles impact customer retention as customers identify with brand elements over time and associate with the noticeable symbols surrounding services.

2.5.1.2 Reliability and Customer Retention

Reliability influences customer retention: where customers experience consistency, they tend to form perceptions about the dependability of the services they receive and stay with the bank.

2.5.1.3 Responsiveness and Customer retention

Responsiveness affects customer retention significantly as customers expect to be served with a sense of urgency, and the willingness of banks to attend to their needs validates the quality of banking services provided (Boateng et al., 2021).

2.5.1.4 Assurance and Customer Retention

Assurance results in a significant impact on customer retention where customers are served by courteous and knowledgeable staff. Customer trust and confidence get stimulated as they experience excellent service delivery; they not only stay but also recommend the bank to others.

2.5.1.5 Empathy and Customer Retention

Customers feel valued and cared for by staff who demonstrate empathy. This entails recognizing and comprehending customer behaviour and responding to their needs and preferences with care (Tarkang et al., 2021). The customization of services, therefore, leads to customer retention.

2.6 The relationship between customer satisfaction and customer retention

Many researchers often describe service quality as the antecedent of customer satisfaction, while other researchers have confirmed the opposite. Rahman et al. (2019) confirm that service quality and customer satisfaction are closely related. While service quality emphasizes the global judgements relating to service superiority, customer satisfaction relates to a specific transaction that may lead to repurchase and retention.

Service excellence and quality are essential differentiators if banks are to survive in the competitive environments, they operate in. According to Hundre et al. (2013), customer satisfaction and systematic but proactive customer management are two components of customer retention that need to be pursued. When a customer is loyal to a company, expressing long-term commitment and refusing offers from other banks is when customer retention occurs. However, only loyal customers can be retained since merely satisfied customers may still walk away. Evidently, without customer retention, it near possible to be successful in the long term. It is thus, hypothesised that:

- ***H3**: **Customer Satisfaction (CS) positively impacts Customer Retention*** **(CR)**

Service quality and customer satisfaction are closely linked. Service quality is key in helping organizations gain a competitive advantage and satisfy customers. Where the quality of services received is excellent, it will lead to high customer satisfaction. Customers, however, consider various factors when evaluating service. According to Zeithaml and Berry (1988), the most enduring measure of service quality is the five-dimensional model. Hypotheses founded upon this model, relationships between service quality and customer satisfaction, are presented in the following section.

2.7 Customer Lifetime Value (CLV)

The measurement of CLV is essential to better manage demand and customer relationships. Accurate CLV measurement includes measuring customer value over their lifetime, usually encountered periods of three to five years (Ekinci, Uray & Ulengin, 2012). CLV is the current or expected net value of future revenue gained from a customer over the life of the customer-bank relationship. These profits are derived from the fees recovered or earned from the use of banking products and services and products. Banks entrench customers through increased product holding in the early stages of the relationship, making it difficult for customers to defect. Other variables most prevalent in enhancing CLV include expected revenue, customer satisfaction, customer purchases, churn probability and customer response levels to campaigns. Where customers experience superior service will lead to customer satisfaction which impacts the profits gained over the life of the relationship and the retention of profitable customers.

Customer attitudes towards a service provider are determined by the difference between expected service and what is received. This, in turn, produces emotional reactions toward satisfying their needs (Manorselvi, 2021). Customer satisfaction leads to repurchases where customers receive superior service (Marcellia et al., 2021), thereby increasing the product holding per customer and raising the revenue gained from each customer, impacting CLV.

Banks identify and deliberate efforts to preserve relationships with their significant customers (Lainamngern & Sawmong (2019). Satisfied customers can still walk away or defect. Banks need to reward customers for loyalty by delivering consistent services and quickly recovering service breakdowns from preserving the relationship (Hundre et al., 2013). When customers feel satisfied, they are less likely to defect but are encouraged to be loyal, which leads to retention, increasing the lifetime of the relationship, and adding to positive CLV.

2.8 Service Experience

Customer experience involves the customer-centric interactions between customers and the company, the products and services, the brand, and its employees. In other words, every service exchange results in customer experience (Bueno, Weber, Bomfim & Kato, 2019). Service experience has proven to hold more weight in the services sector as a major concept for service-dominant logic and basis for all businesses. Although researchers have often referred to customer experience as an element of service quality and satisfaction, customer experience has become an integrated and self-sufficient concept. Customer experience further seeks to improve and integrate dimensions of service quality, customer satisfaction, equality, and customer relationships (Bueno et al., 2019). Customer experience and service quality are closely linked as service quality is often used to validate the concept of customer and service experience.

Customers view service as an experience, while companies see it as a process designed to create and manage customer satisfaction. The service experience can thus be employed as part of a company's competitive strategy to maintain a competitive advantage (Gourida, 2021). The distinction between service experience and customer experience depends on the actual experiences' subjects. Where the service encounter gives rise to behavioural, cognitive, and emotional responses, it creates a mental mark. Thus, service experience has evolved and is no longer a mere result of delivery but a core of the service design and offering. Customer experience is therefore inimitable for every customer and can thus not be generalized.

Banks can effectively retain customers from the first interaction and maintain it throughout the relationship lifecycle (Hundre et al., 2013). Since customer experience can be imbibed at all touch points of the service delivery process, banks must be attentive to the emotional, intellectual, physical, and spiritual components that impact further experience creation (Jüttner, Schaffner, Windler & Maklan, 2013). Customer experience entails the evolution of sensory, emotional, rational, cognitive, and behavioural responses. These are prevalent pre-purchase, during the purchase and post-purchase journey, making judgements against coinciding experiences (Bueno et al., 2019).

2.8.1 Service Experience Dimensions

According to past research, the most common service experience variables include price, promotions and rewards or loyalty programs (Deshwal, 2016). These variables influence customer behaviour before, during and after an interaction with a service. Customer experience constructs contain four dimensions, according to Bueno et al. (2019). First, product experience; demonstrates customer perceptions regarding having variety and being able to compare products or offers. Second, the focus of the result is a dimension that reflects experiences resulting from specific objectives. Third, moments of truth focus on flexibility and the recovery of service. Lastly, peace of mind considers interactions before, during and after service and the emotional benefits thereof. These can be summarized into three concepts; predispositions, interaction and reactions that can be influenced through effective marketing.

Customer satisfaction and service quality have also been used to understand service experience. In other words, where customers receive superior service, they will be satisfied and willing to pay more for a service and happy to be rewarded for their loyalty.

Therefore, creating meaningful customer experiences will lead to customer satisfaction, which is critical for banks to achieve a competitive advantage (Deshwal, 2016). Thus, the adaptation of SERVQUAL to measure service and customer experience is not foreign to researchers (Bueno et al., 2019).

Existing and loyal customers are easy to sell to; they buy more and are less sensitive to price, so banks try to retain their best customers. Although price and cost differentiation strategies are not sustainable in the long term, they are essential drivers of competitive advantage (Mukupa & Jere, 2018). Amongst the mediating factors between customer loyalty and satisfaction are perceived switching costs and the absence of attractive alternatives (Nguyen et al., 2018). Banks attract and retain customers by offering loyalty rewards programs (Mecha et al., 2015), improving customer experience and satisfaction. Based on the above arguments, the following hypotheses are proposed:

- *H4: Service Experience (SE)has a positive impact on Customer Satisfaction (CS)*
- *H5: Service Experience has a positive impact on Customer retention (CR)*

2.8.2 The role of the Private Banker

The private banker is the primary relationship manager in the client-banker relationship. The private banker is the primary point of contact and is responsible for actively managing the relationship between the customer and the bank. This entails making appointments to discuss financial needs and maintaining a healthy relationship. The banker became the customer's trusted adviser and regularly consulted for financial planning, acquiring assets, and investment decisions. Having a personal or private banker is also one of the best-selling points in private banking CVPs. Customers not only expect their bankers to be professional and courteous but also reliable, trustworthy, and dependable, offering services that appeal to their emotions (Collardi 2012). High-worth customers are accustomed to individual attention and personalized services, and banks are not surprised to capitalize on this. Linking a relationship manager to a customer's portfolio enables bankers to build close relationships with customers. Studies show that where customers have close ties with their bankers, banks benefit from a lower defection rate through enhanced professionalism (Molapo & Mukwanda, 2011). Since customers depend on their bankers for information, their skills, knowledge, and capabilities must be equally sharpened (Collardi, 2012)

2.8.3 The role of the Private Banking Customer Service Teams (CST)

Services are intangible and make it challenging to measure satisfaction. Thus, human interaction is vital, especially in service organizations such as banks. Bankers are often tasked with delivering excellent and consistent service to retain customers. Private bankers often operate as part of a more extensive ecosystem and rely on other teams and experts to support them. A strong brand presence allows the relationship to continue along all customer touch points and extend beyond one person. The experts include certified financial planners and transactional bankers who support the private banker. The private banker may call on an expert when the customer requires complex financial planning and fiduciary services outside the banker's scope. This is to assist the customer in obtaining the desired service through a warm introduction. The transactional bankers form a customer servicing team that assists the customer with day-to-day transactional dealings. To deliver superior service and keep up with the standards and commitment made by the private banker, the CST staff need to be as fully connected and engaged.

2.9 Theoretical and conceptual framework

2.9.1 Service quality theories

Service quality is essential in sustaining competitive advantage, growing profitability, enticing new prospects, decreasing expenses, improving customer satisfaction, and enhancing customer retention. The intangible nature, high experience and credence quality of services make it difficult for customers to evaluate even after consumption (Bhatta & Durgapal, 2016). Service quality is, therefore, a critical success factor in the banking fraternity (Islam et al., 2020). Literature suggests that service quality theories are closely related. The gap model by Parasuraman et al. (1985) states that service quality is a function of the differences between expectation and performance along service quality dimensions. Consistent with the gap model, the synthesized model of service quality (Brogowicz et al., 1990) identifies dimensions associated with service quality incorporating potential service quality perceptions and actual service quality perceptions experienced.

The synthesised model of service quality considers factors that influence technical and functional expectations, including an image of the company, outside influences and traditional marketing initiatives. Concerning external influences, Rust and Oliver (1994) developed a simplified version which explained service quality as a three-dimensional concept. This examined the constructs of service product, delivery, and environment. On the other hand, the ideal value model (Mattsson, 1992) suggests that the value approach to service quality will result in satisfaction.

Fisk et al. (1992); Reeves and Bednar (1994) recommended two main perspectives, i.e., the internal versus external stand from diverse views. This study zoned in on service quality theories underpinning the conceptual framework proposed in this study. The internal perspective considers the quality of a company's system or processes when services are delivered and received. These include adapting to requirements and standards, total quality management, and nil defects. In contrast, the external perspective focuses on customer expectations, such as satisfaction and customer attitudes (Domenge & Arciniega, 2015). The marketing literature is plentiful with theories measuring customer perceptions of service quality (Ganguli & Roy, 2011). It can be deduced that vital elements for improving service quality require specific customer focus, motivated staff who understand service quality, factors affecting service quality, efficient feedback mechanisms, implementation, and customer care systems (Seth, Deshmukh & Vrat, 2005).

2.9.1.1 SERVQUAL

Researchers agree that service quality is a distinct concept. However, inconsistencies exist regarding its measurement. The five dimensions of service quality form a foundation of worldwide measurement strategies for service quality; SERVQUAL. Parasuraman, Zeithaml and Berry (1988) developed a widely used service quality measurement instrument to provide insights regarding service perceptions and subsequently use its robust benchmarking, diagnostic and prescriptive tools across business processes

(Mandozai, Shah & Hafizullahmeen, 2021). The adjustments to SERVQUAL resulted in the gap between customer expectations and perceptions being utilized to hypothesize service quality.

Researchers argue that the SERVQUAL dimensions change with the type of service (Crompton & MacKay, 1989; Taylor et al., 1993; Babakus & Boller, 1992). Other scholars critique the lack of evidence supporting the concept of performance minus expectations gap as service quality measurement (Cronin & Taylor, 1992; Teas, 1993; Ramseook-Munhurrun, 2010). Researchers suggested that it would be simpler to let customers rate quality on a particular scale rather than measuring the difference between expectations and perceptions. Parasuraman et al. (1994) maintained that the expectation-performance gap method of SERVQUAL remained the best approach for measuring service quality, despite the criticisms. The early research framework used SERVQUAL as a mainstream research framework and therefore counted as a theory. This study adapted the contextualized SERVQUAL model to assess the relationship between service quality and customer satisfaction and retention in the South African private banking sector. The current study aimed to invoke discussions of service quality issues in the banking sector of South Africa. Hence SERVQUAL applies to this study.

2.9.1.2 SEVPERF

The synthesized service quality model, SERVPERF, can be used to study the relationship between quality and satisfaction in industries spanning from banking, tourism, hospitality, banking, and health to insurance (Nguyen et al., 2018); hence it applies to the current study. The performance-only model was developed to counter the framework by Parasuraman et al. (1985), conceptualizing and measuring service quality. The authors concede that performance-only was a better determinant of service quality, thereby developing the SERVPERF, a scale measuring performance directly. The authors also believed that in construct validity, SERVPERF performed better than SERVQUAL, especially in measuring psychometric properties, while SERVQUAL performed better as a diagnostic tool (Bhatta & Durgapal, 2016).

2.9.1.3 THE INTERNET BANKING MODEL (IBM)

In 1994, Parasuraman, Zeithaml, and Berry adapted the service quality dimensions to define the model as the degree to which a website enables systematic and practical shopping and delivery, equal to factors influencing service quality in physical encounters (Udo, Bagchi & Kirs, 2010). IBM (Broderick & Vachirapornpuk, 2002) tries to address the main pain points to managing service quality due to remote formats that substantially change customer behaviour and interaction. While the IT-based model, as stated by Zhu et al. (2002), points out the importance of information technology (IT)-based service options such as the model of e-service quality, where service quality is one of the main elements in defining the failure or success of e-commerce. Since it is harder to keep online customers loyal, customer satisfaction becomes even more vital to banks (Zavareh et al., 2012). It is, therefore, worthwhile to pay attention to the e-SERVQUAL model as internet banking forms part of the private banking value proposition today.

2.9.2 Integration of theories into the current study

To understand the dynamic relationship between service quality dimensions and customer satisfaction and retention, service quality measurement theories were introduced in the literature, in line with this study. The models presented can be adjusted across various industries. The SERVQUAL scale, although widely used to measure service quality perceptions, has been criticized by many researchers. Research also shows that the outcome and measurement of service quality rely on the service setting type, circumstances, need and time. Customer expectations towards services also change based on time, encounters, and the competitive environment.

The SERVQUAL measurement of expectations was based on a flawed paradigm (Cronin & Taylor, 1992). According to Etgar and Fuchs (2009), researchers argue that expectations can be based on experience norms; hence the expectation component of the SERVQUAL should be eliminated and measured as an attitude, including the perception component. Thus, the SERVFERF model was developed, using performance measures as a more prevalent predictor of service quality. Notwithstanding, the internet banking model (e-SERVQUAL) helps achieve customer satisfaction through effective management of perceptions and expectations. As a theoretical contribution, this study proposes a combination of these theories. The SERVQUAL, the overarching theory upon which this study is founded, serves as the basis for measuring service quality perceptions and expectations. It is most applicable in the private banking sector in which this study focuses, as customers use the five SERVQUAL dimensions to assess the level of service received against what they expected. The SERVPERF models were used to develop a framework ensuring that customer lifetime value is obtained, matching perceived service quality to customer satisfaction and retention.

In pursuit of growth and sustainability, banks seek out profitable customers by maintaining a continuous relationship with customers (Ekinci et al., 2012). The entire lifetime that a customer remains with a company is known as CLV, defined as the current value of all revenue obtained from a customer throughout the relationship with a company. CLV factors can be classified into three categories: revenue, costs, and retention rates (Cheng, Cheng & Li, 2012). Satisfied customers can be easily retained. Customer retention directly impacts long-term customer lifetime (Molapo & Mukwanda, 2011). Table 2.1 below summarizes the models mentioned above and their diverse contributions to the current discourse.

Table 2.1: Summary of Service Quality Models

Model	Author(s)	Brief description of Model and application	Model role in Discourse
SERVQUAL	Parasuraman, Zeithaml, and Berry (1988),	The model provides insights regarding service perceptions and uses robust benchmarking, diagnostic and prescriptive tools across business processes. The adjustments to SERVQUAL resulted in the gap between customer expectations and perceptions being utilized to measure service quality.	The SERVQUAL model helps assess the relationship between service quality, customer satisfaction and customer retention in the South African Private Banking sector. Proper application of the service quality dimensions to measure service quality in private banking may well equip banks with the required tools to improve service quality.
SEVPERF	Parasuraman et al. (1985)	Useful in conceptualizing and measuring service quality, the performance-only model was developed. According to the authors, the performance-only was a better determinant of service quality, thereby developing the SERVPERF, a scale measuring performance directly. The authors also believed that in construct validity, SERVPERF performed better than SERVQUAL, especially in measuring psychometric properties. The SERVFERF model was developed using performance measures as a more prevalent predictor of service quality.	The synthesized service quality model, SERVPERF, can be used to study the relationship between quality and satisfaction in service industries such as banking. The current study is used to develop a framework ensuring that customer lifetime value is obtained, matching perceived service quality to customer satisfaction and retention.
The internet banking model (IBM)	Broderick and Vachirapornpuk, (2002)	The Internet Banking Model, also known as the IBM model, address the main pain points to managing service quality due to remote formats that substantially change customer behaviour and interaction online.	Since it is harder to keep online customers loyal, customer satisfaction becomes even more vital to banks. In the current study, the model is integrated to measure the satisfaction of private bank customers who use online banking and self-service channels as part of the bank's service offering.
e-SERVQUAL	Parasuraman et al. (1985)	The e-SERVQUAL model measure e-service quality using its dimensions in different contexts. These include website setting access, access, interface, trust, attention and credibility, fulfilment,	The model is valuable and worth attending to as internet banking forms part of the private banking value proposition today. If banks were to increase their service quality improvement efforts, eService Quality

		efficiency, system availability and privacy and security	could not be left behind hence included in this study.
American Customer Satisfaction Index (ACSI)	Nguyen et al., (2018)	The ACSI model measures the quality of services and goods consumed as customers experience them. ACSI also shows a company's market or the overall assessments or l evaluations from customers regarding the total purchase, market offering and the experience of consumption, whether actual or expected.	The American Customer Satisfaction Index is a model that is widely used to measure customer satisfaction across various sectors. The model contains service quality constructs, expectations and perceptions that influence perceived value which can lead to satisfaction or dissatisfaction and ultimately determine repurchase, turning loyal customers into lifelong customers who can be retained. This study seeks to validate this against other models.

Source: Compiled by the researcher

The models listed in the above table offer critical elements of service quality and dimensions that need to be considered when formulating service quality improvement strategies. The models illustrate how different dimensions can be used to measure service quality and how these can be adapted from one industry to another. They also show the relationships between variables that influence the desired customer behaviour. Although the models do not guarantee the outcomes, they apply and are adaptable to various conditions and sectors in which various researchers have tested them.

2.9.3 Conceptual framework

This study is founded on the central premise that service quality dimensions influence customer satisfaction and retention. Customer perceptions in relation to service experience impact customer satisfaction and retention, thereby influencing customer lifetime value. The following hypotheses were formulated as informed by previous research models on service quality, customer satisfaction and customer retention. Customer perceptions play an important role in determining customer expectations and gauging how they measure service quality. Therefore, customer perceptions are considered one of the most important factors by the consumer in the banking industry, with strong influences on the level of banking competitiveness. To remain competitive, banks must employ service quality measurement strategies using tried and tested models. The service quality measurement models give insights into the factors that impact customer satisfaction and can be used to improve service quality.

The impact of service quality on customer retention and the relationship between customer satisfaction and customer retention can increase CLV. The SERVQUAL was used as the foundation of the current study. Figure 2.1 illustrates the current study's conceptual model, which shows the impact of service quality and its dimensions, tangibles, reliability, responsiveness, assurance, and empathy on satisfaction and how service quality perceptions influence customer satisfaction and retention.

Service quality is a dependent variable of SERVQUAL that impacts customer satisfaction and retention. To increase the study’s coherence, the study used the five independent variables of the SERVQUAL model as the critical factor constructs of this study and the presumed relationships among them to formulate its hypotheses.

2.9.4 The Conceptual model

The relationship between service quality, customer satisfaction, customer retention, and service experience underpinned by two control variables i.e., cost and profits. To add to the body of research, the study proposes a conceptual model to examine the impact of service quality perceptions on customer satisfaction and retention. Figure 2.1 summarizes the study’s hypothesis in a conceptual model, focusing on the relationships between service quality dimensions and customer satisfaction, customer retention, service quality perceptions, and service experience that will lead to maximum CLV.

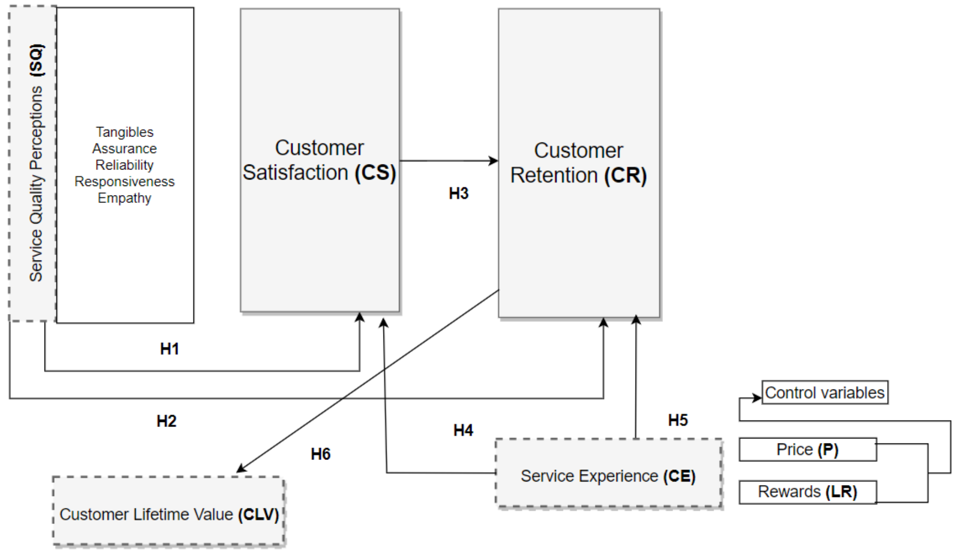


Figure 2.1: Proposed Research Model

Source: *Researcher's construct (2021)*

The initial analysis started with the relationships between service quality perceptions and customer satisfaction using SERVQUAL dimensions. Then the relationship between service quality perceptions and customer retention. This was followed by the relationship between customer satisfaction and customer retention, and the impact of service experience on customer satisfaction. The impact of service experience on customer retention on was examined using price and rewards as the two control variables.

2.10 Chapter Summary

Chapter two presented the theoretical and conceptual framework upon which the study is founded. A model for assessing the impact of service quality perceptions on customer satisfaction and its impact on customer retention was developed using contributions from past models. This model was founded upon the SERVQUAL theory that gauges how customer service quality perceptions play a role in measuring service quality. The next chapter outlines the methodological approach followed in this study.

3. CHAPTER THREE: RESEARCH METHODOLOGY AND DESIGN

3.0 Introduction

This chapter provides an exposition of the methodological approach followed in this study. This study's research methodology and design directly impacted the findings. Managers in different fields are faced with decision-making and require data and information to make informed decisions. These can be strategic, tactical, or procedural decisions to address business problems and require meaningful insights to be developed from the data at their disposal. Although various tools are available to analyse data, business research has proven beneficial in guiding decision-making and provides a foundation for the strategic direction and competitive advantage (Terrel, 2016). In the context of this study, this chapter outlines the research design, research philosophy, research strategy, the target population, sampling procedures, and data collection, as well as the processes and instruments for data collection and analysis.

3.1 Research Approach

To describe, decode and translate research objectives meaningfully, the quantitative research approach utilized in this study was chosen due to its applicability to the research objectives and time frame for completion of the research. Because the study aimed to investigate a problem in a bounded environment, the case study approach was adopted. To address the research objectives, the qualitative research method was utilized to zoom in on the impact of service quality on customer satisfaction and retention. This was done by measuring variables such as tangibles, reliability, responsiveness, assurance, and empathy. To test the hypotheses, the chosen research approach allowed the focus on understanding customer perceptions and their behaviour towards private banking. Insights were drawn from the measurable data collected.

3.2 Research Philosophy

Research philosophy deals with fundamental and general aspects of natural and social sciences that deal with language, reality, and knowledge. This study subscribed to the paradigm of constructivism that is typically seen as an approach to quantitative research.

The positivism worldview on the other hand forms part of the philosophy of ontology and epistemology. Thus, enabling the researcher to understand the world in which people live and work. This made the development and de-emphasis on people's subjective experiences of service quality in private banking (Leavy, 2017) possible. The interpretive research philosophy is more suited with qualitative research, enabling the researcher to understand the feelings and perspectives of customers. The quantitative research process utilised in this study aligns with the positivist worldview. Thus, the researcher approached the research objectively and separately from the problem being investigated. The researcher's background shaped the interpretation as it stems from their personal, cultural, and historical experiences. The broad and closed-ended questions in the survey allowed for better understanding and led to analysing the complexity of views rather than narrowing them into categories. As quantitative research follows a deductive process generating meaning from the collected data, this empowered the researcher to examine the relationship between service quality dimensions, customer satisfaction and customer retention objectively.

3.3 The Research Design

This study set out to gain a parsimonious understanding of the role of service quality in private banking. With the objective of understanding how service quality influences the satisfaction and retention of private banking customers, existing theory and the developed hypotheses we utilized. While each research instrument has pros and cons hence Schindler (2019) recommend for careful selection of a suitable research instrument and data collection techniques. The quantitative research method chosen for this study enabled the researcher to collect data respecting all participants' input. Respondents were asked to numerically evaluate the quality of services, rating various aspects of service quality using a five-point Likert scale with ratings from 1 (Strongly disagree) to 5 (Strongly agree). The results were then utilised to evaluate overall service quality and effectiveness.

3.3.1 Questionnaire Design

The study adopted a standardised questionnaire design. Taking into account reliability and construct validity to confirm the consistency and validity of variables (Terrell, 2016), i.e., service quality, customer satisfaction, customer retention, service experience and customer lifetime value scales used in this research. This questionnaire measured the respondent's service quality perceptions by indicating their level of agreement or disagreement with a statement indicating whether they strongly disagree (1), Disagree (2), Neutral (3), agree (4) to strongly agree (5). Respondents selected the most applicable answer for the rest of the demographic questions.

The survey includes quantitative research questions, standardized to increase the validity of the data collected. The critical questions considered in the design of the survey include the relevance of the research and topic to the delivery method, the target audience, and the most suitable way to reach the audience, as well as the design and presentation. Although surveys have the disadvantage of slower responses compared to interviewer-administered methods, a set criterion was used for the choice of the questionnaire. Interviews did not guarantee anonymity as required by banking legislation such as the Protection of Personal Information Act (POPIA) and BASEL II, which govern the sharing of bank customers' personal information.

3.3.2 The questionnaire

A questionnaire measuring four (4) variables; service quality, customer satisfaction, customer retention, service experience and CLV was utilised. The questionnaire comprising 40 items was designed drawing upon widely accepted scales by renowned scholars. The questionnaire consisted of an introductory section explaining the subject of the research, its objectives, and the requirements of filling it out, in addition to its nine sections. The first section comprises demographic information to describe the sample, and the other sections cover items related to the ten variables of the research items. The four items relating to service quality were adopted from Soni (2018), measuring the level of satisfaction with the quality of services received and whether that would lead to repurchase.

The 14 items related to service quality dimensions start with two items under tangibles and measure the appeal of staff and collateral. The three reliability items measure reliability against accuracy and timeliness. Responsiveness is measured using three items relating to how quick and responsive the bank is in attending to customer needs. This is followed by three items measuring assurance and three items measuring empathy and care exercised by bankers when dealing with private banking customers. The four customer satisfaction items were adopted from Nguyen et al. (2021), measuring customer satisfaction levels against other banks and the current bank products and service range. Then the four items focusing on customer lifetime value were adopted from Boateng et al. (2021). Customer retention has six items adopted from Hundre et al. (2013) and Rahman (2019) and deals with relationship management and the possibility of customer defection. At the same time, the seven service experience questions focused on post-purchase experiences.

Table 3.1 summarizes the measurement scales for the study.

Table 3.1: Research Instrument

Variable	**Code**	**Questions**	**Literature Review**
Service Quality	SQ1 SQ2 SQ3	1. I am satisfied with the overall service received from private banking 2. The services offered by the bank are on par with other banks. **3.** I will increase the number of products held with the bank should the need arise.	Soni (2018); Tarkang et al. (2021); Kitapci, Akdogan and Dortyol (2014); Boateng et al. (2021)
Tangibles	SQ4 SQ5 SQ6	1. Collateral/Materials related to the service (forms, brochures, statements etc.) are visual appeals 2. The bank staff appear neat and presentable 3. The physical facilities of private banking are visually appealing.	Tarkang et al. (2021)
Reliability	SQ7 SQ8 SQ9	1. The services are performed within the promised turnaround time. 2. The banker addresses my requests accurately the first time. 3. The private banking team show sincere interest in helping me solve my queries	Tarkang et al. (2021)
Responsiveness	SQ10 SQ11 SQ12	1. The banker responds to my queries timeously 2. Overall, consideration of the bank's service is excellent. 3. The private banker is always willing to help	Tarkang et al. (2021)

Assurance	SQ13 SQ14 SQ15	1. I feel safe in my transactions with this bank 2. The information provided by the private banker has always been precious to me. 3. I trust my private banker	Kyriazopoulos (2011); Ekinci, Uray and Ulengin (2012)
Empathy	SQ16 SQ17 SQ18	1. The banker provides me with individual attention. 2. The private banker considers my needs and wishes 3. The private banker is available at times convenient to me	Tarkang et al. (2021
Customer Satisfaction	CS1 CS2 CS3 CS4	1. I am satisfied with the product and service range offered by my bank 2. Compared with other banks, the product and services offered by the bank are inadequate 3. The services offered by the bank meet my banking needs. 4. What are some of the reasons you gave the rating above?	Nguyen et al. (2021); Boateng et al. (2021); Hundre et al. (2013); Molapo and Mukwanda (2011)
Customer Retention	CR1 CR2 CR3 CR4 CR5 CR6 CR7 CR8	1. I have a healthy relationship with my banker. 2. I have requested to switch bankers in the past. 3. I would upgrade from my current account package to a higher offering. 4. I know what I need to do to upgrade my account 5. I have been offered information on how to upgrade 6. I know when I am due to upgrade my account 7. I am not happy with the current service and would not upgrade 8. The price for the upgraded account is too high	Hundre et al. (2013); Rahman (2019); Lainamngern and Sawmong (2019)
Service Experience	CE1 CE2 CE3 CE4 CE5 CE6 CE7	1. I am content with the service I receive at all the bank touch points (ATM, IBR, App) 2. The services I receive are worth the price I pay for private banking 3. The fees I pay are high compared to the service I receive from private banking 4. I will use private banking services again in the future 5. My banker follows up with me after a sale or service 6. The team that supports my banker execute diligently 7. I have requested to close my bank accounts due to poor service	Jüttner et al. (2013)
Customer Lifetime Value	CLV1 CLV2 CLV3	1. My first bank account was with the same bank 2. I hold multiple products with the bank and would not consider switching banks 3. I have my accounts with the same bank for more than three years 4. I belong to the bank's rewards/ loyalty program	Boateng et al. (2021); Eger and Mecik (2017); Cheng, Cheng and Li (2012).

Source: Researcher

3.4. Pilot Study

A small-scale pilot study was conducted to gauge the appropriateness of the language, assumptions, research instruments and peer review to attain validity and avoid bias from clouding the research design. Feedback from the pilot study prompted the restructure of the questionnaire and grouping of questions relating to the bank, the banker and the team supporting the banker separately.

The survey was distributed to ten (10) randomly selected respondents to check via social media to gauge the survey's language, length, and flow. Two respondents complained about the length. They also enquired about the question relating to how long they have had their bank account. The question was then adjusted to be specific to the private banking relationship and related questions to the private bank account as the primary account. The language used and flow of questions was adjusted to have questions about the bank, questions relating to the banker, and then the private banking team grouped separately. The order of questions starts with questions relating to the length of relationship, product holding and price sensitivity. These CLV-related questions helped assess satisfaction and retention levels in relation to the relationship held with the bank. These were then followed by service quality and customer satisfaction and customer retention questions. The length of the questionnaire was also reduced from 49 questions to 40. A message indicating where a question has more than one option available for selection was added, i.e., selecting the preferred method of interacting with the bank.

3.5 Population and Sample

3.5.1 Population

To create a good sample, a population must first be identified. Terrell (2016) defines a research population as a comprehensively well-defined group with common characteristics that can be used in a scientific enquiry. The selected study area is Tshwane, South Africa. Since the self-administered survey was web-based, participants were recruited via social media to complete the survey online. As such, there was no need to obtain permission from the bank to conduct the research. The target population for this study consisted of 1045 private banking young professional customers in Gauteng, Tshwane area (GP Private Banking Database, 2021). Young professional customers held at least one active cheque account with regular deposits and had a private banker.

3.5.2 Sample and Sampling procedure

To determine the appropriate sample size, the confidence level, sampling error and variability degree need to be considered (Israel, 1992). Using Krejcie and Morgan's (1970) formula, confirmed and calculated on Select Statistics with the below formula:

$$n = \frac{X^2 * N * P * (1-P)}{(ME^2 * (N-1)) + (X^2 * P * (1-P))}$$

Where:

n = sample size

X^2 = Chi – square for the specified confidence level at 1 degree of freedom

N = Population Size

P = population proportion (.50 in this table)

ME = desired Margin of Error (expressed as a proportion)

Table 3.1 gives a detailed account of the research population.

Table 3.2: Research Population

Area	**Total Young Professionals**	**Sample Size Precession (5%) Confidence level (95%)**
Private Banking Tshwane	1045	281

Source: *GP Private Banking database (2021)*

Table 3.2 was drawn using insights from Table 3.2 determining the maximum recommended sample size for the research population (Krejcie & Morgan, 1970) adopted from Research Advisors (2022). Using the general population, the sample was drawn using a confidence level of 95% and sampling error of 5%, which are generally acceptable in research.

Table 3.2: Extract Table for determining the required sample size

Required Sample Size†
from: The Research Advisors

Population Size	Confidence = 95,0%				Confidence = 99,0%			
	Degree of Accuracy/Margin of Error				Degree of Accuracy/Margin of Error			
	0,05	0,035	0,025	0,01	0,05	0,035	0,025	0,01
10	10	10	10	10	10	10	10	10
20	19	20	20	20	19	20	20	20
30	28	29	29	30	29	29	30	30
50	44	47	48	50	47	48	49	50
75	63	69	72	74	67	71	73	75
100	80	89	94	99	87	93	96	99
150	108	126	137	148	122	135	142	149
200	132	160	177	196	154	174	186	198
250	152	190	215	244	182	211	229	246
300	169	217	251	291	207	246	270	295
400	196	265	318	384	250	309	348	391
500	217	306	377	475	285	365	421	485
600	234	340	432	565	315	416	490	579
700	248	370	481	653	341	462	554	672
800	260	396	526	739	363	503	615	763
900	269	419	568	823	382	541	672	854
1 045	281	448	622	943	406	590	750	983

Source: Research Advisors (2022:4)

From the above table i.e., a population of 1045, confidence 95.0% equals 281 as illustrated in the last row of the second column. Thus, a total population of 1045 YP customers, a sample of 281 YPs makes up 20% of the YP customer base in three Tshwane Private Banking suites. Three of the eight Private Banking suites represented 38% of the Gauteng Province Private Banking Suites. The samples consisted of private bank customers with the required properties for an appropriate sample, e.g., age, gender, income, and education level. The researcher's initial intention was to obtain a mailing list from the bank and share the survey link via email for customers to complete it online. This would have formed the basis of the sample. However, the bank declined to share customer information, citing data privacy issues, POPIA, and the risk of association, as the bank employs the researcher. The snowball sampling technique was then employed, targeting the same sample size by identifying and approaching potential respondents in the area. Potential respondents who agreed to participate were then asked to refer other private bank young professional customers they knew.

3.6 Procedure for data collection and response rate

3.6.1 Data collection procedure

The procedure that the researcher followed entailed obtaining ethical clearance (HRECCNM21-10-054) to proceed with the study from the Human Research Ethics Committee (Non-Medical) at the University of Witwatersrand (see attached Appendix 1: Clearance Certificate). The research survey was developed prior to the commencement of the study and distributed electronically via social media. For a wider reach, permission was sought from the university registrar to administer the survey link to post-graduate students meeting the sample profile. Consent was obtained electronically from the participants before starting with survey completion. The data collected was then descriptively and inferentially analysed to answer the quantitative survey questions. Data collection included questions helpful in determining the value customers place on private banking and service experience variables such as price and rewards or loyalty programs.

3.7 Data Analysis and interpretation

The data collected from private banking customers were summarised and tested using two distinct statistics to interpret quantitative data, descriptive and inferential stats. The data was then coded, cleaned, and analysed to preclude data entry errors using the partial least square structural equation modelling (PLS SEM). SEM tests and evaluates independent variables to estimate the relationship between service quality dimensions, customer satisfaction and customer retention (Nguyen et al., 2018). SEM differs from other modelling approaches as it examines direct and indirect impacts on pre-established causal relationships. SEM combines two statistical methods, i.e., the path analysis technique, which quantifies relationships amongst multiple variables and the confirmatory factor analysis method measuring latent variables (Fan et al., 2016). This is useful in measuring the impact of service quality using the three variables: service quality, customer satisfaction and customer retention within private banking.

Further analysis entailed appropriate descriptive and inferential tools to ensure validity and test the sample's variation and dispersion. This was used to indicate any outliers that could affect the analysis results negatively. Interpretation of the statistical results was then undertaken to interpret the results into rich descriptors for drawing research conclusions. Eventually, the findings were thoroughly organized, summarized, and presented using charts, graphs, and tables.

3.8 Research Findings Validity and Reliability

To ensure that the data collected was valuable, valid and reliable, Cronbach’s Alpha tests were undertaken to determine the quality of the research instrument. A suitable sample of customers and questions based on the literature on service quality, customer satisfaction, customer retention, and service experience and CLV ensured the validity of the survey. The survey was designed to clarify the authentic connections between variables under scrutiny. A standardized questionnaire ensures reliability, asking the respondents the same questions under the same conditions. However, given the study's approach, a broad generalization to the overall banking population cannot be extrapolated in totality. Certain limitations exist regarding the generalization of the study.

3.8.1 External validity

In research, external validity refers to the generalizability of findings or how effortlessly conclusions can be applied across different populations. Augmenting the study's heterogeneity was one of the critical ways of enhancing external validity (Druckman, Green, Kuklinski & Lupia, 2011). Random sampling was utilised in this study, created on a population of randomly selected private banking customers. This study comprised different ages, genders, income levels, and socioeconomic and educational statuses. Expanding the sample's representativeness of the private banking population and improving generalizability prospects.

3.8.2 Internal validity

Internal validity is the degree to which the dependent variable is affected by extraneous mediating factors systematically affecting subjects' responses and events not within the scope of the study. Controlling factors that might affect the accuracy of our intervention helped establish a high degree of internal validity, attributing other changes to the manipulation of the independent variables (Druckman et al., 2011). The study invested in a well-designed, carefully controlled, and meticulously measured research instrument to increase internal validity. In addition, keeping participants engaged and curious improved internal validity and minimized destruction. Care was taken to address threats to validity such as history, maturation, repeated testing, instrumentation, regression toward the mean, mortality, experimenter bias and selection–maturation interaction that may rise. Convergent and discriminant validity were bot used to measure the validity of the study's variables.

3.8.3 Reliability

Reliability is characterised by a research instrument's ability to consistently measure a content area (Terrel, 2016). This study used Cronbach's alpha formula to measure this correlation by computing a reliability coefficient. Values of these coefficients range from zero (i.e., low reliability) to 1.0 (high reliability). A significant reliability coefficient suggests higher interrater reliability. To judge the reliability of customer ratings, the interrater reliability of the survey was measured by compiling all the survey questions and computing a reliability coefficient. If the reliability coefficient is significant, rest assured that the survey is valid and establishes that one low evaluation can be an aberration and not indicative of the rest of the customer's perceptions.

3.9 Ethical Considerations

Prior to the commencement of the study, consideration was given to how ethics may be transgressed. This was addressed by ensuring that the research would harm participants, obtain informed consent, not invade privacy or deceive participants. This study commenced data collection upon approval from the University's ethics committee and ethical clearance granted. Participation was voluntary, participants obtained consent, and their rights to privacy and withdrawal from the study were explained. The objectives and purpose of the study and confidentiality rules were spelt out in the cover letter. The confidentiality and anonymity of participants were considered following the Protection of Personal Information (POPIA) legislation governing personal information handling (Bryman et al., 2019). Participants were assured upfront on the survey covering pages of non-disclosure and confidentiality. After data collection, the responses were kept confidential, and anonymity maintained. Data was utilised for academic purposes for which it was intended and stored securely electronically.

3.10 Chapter Summary

The methodology chapter outlined the research design and philosophy adopted in this study. The sampling techniques and the data collection procedure the study followed were explained. The chapter also explored how issues of validity and reliability were ensured and what ethical issues needed to be considered. The next chapter presents the results and data analysis to gain greater insight into the relationships between service quality, customer satisfaction, retention, service experience and CLV.

4. CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter offers a presentation of data and analysis together with a discussion of findings to enable the reader to benefit from a cohesive view of what they mean. This study sought to assess the impact of service quality on customer satisfaction. It sought to examine the impact of service quality on customer retention. The study further sought to establish the service quality perceptions held by customers in relation to the value of private banking. Furthermore, the study aimed to examine the relationship between customer satisfaction and customer retention in the context of private banking. Lastly, the study aimed to establish a framework that banks could adopt to capture customer lifetime value in view of service quality perceptions.

The respondents' demographic profiles, together with sample characteristics, are presented in this chapter. A review of the descriptive and inferential statistics, including various correlations of the study's main variables and validation of the study's constructs, is presented. The proposed research hypotheses test results from the Structural Equation Modelling are showcased, validating the proposed model to establish the final and theoretically sound model. In pursuit of the study's objectives, a survey was conducted using a sample of private bank customers with the demographic profile illustrated under section 4.2 below. The responses received were analysed, and based on the conceptual framework of this study, the tested hypotheses were used to develop a model to address the research problem.

4.1 Response rate

Figure 4.1 illustrates the breakdown of the total surveys distributed and received, discarded, and retained during data collection and processing. After ascertaining suitability, the survey was administered via social media to a group of respondents who then referred other respondents who met the criteria in line with the snowball sampling method. A total of 267 responses were received, of which 266 were usable, from the sample target of 281; this gave a response rate of 94.6%. Where missing data cases occurred, the responses were evaluated, and non-response or blanks were excluded during the data clean-up process.

The wave analysis method was used to eliminate response bias; the researcher checked weekly to determine the change in average responses received. This was useful to minimize the effect of non-response and weigh how much their responses would have substantially changed the overall survey results should they have responded.

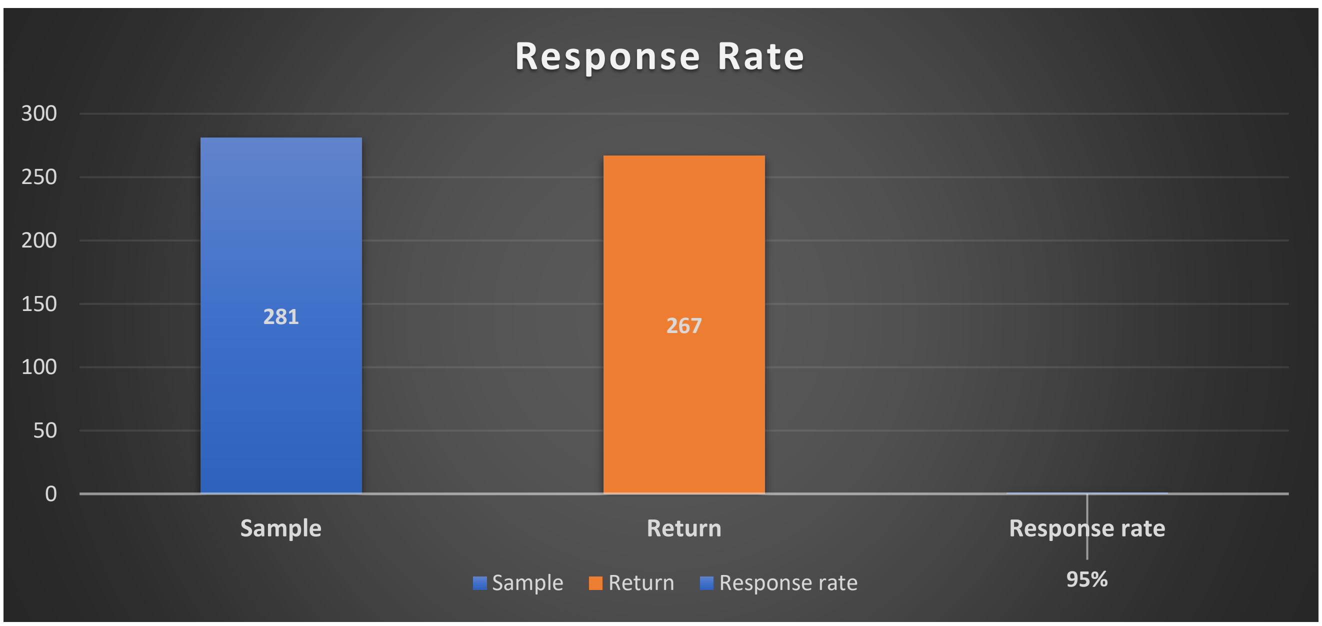


Figure 4.1: Response rate

Figure 4.1 highlights the total number of questionnaires distributed to a sample size of 281, of which 267 responses were received. Where missing data cases occurred, the responses were evaluated, and non-response or unticked fields were excluded during the data clean-up process. One response was discarded as incomplete, resulting in the retention of 266 usable responses. The sample target of 281 gave a response rate of 94.6%. According to Bryman et al. (2019), considering the low response rate associated with online surveys, a 60-70% response rate is deemed acceptable and sufficient for quantitative studies. Thus, the response rate obtained for this study was deemed acceptable.

4.2. Descriptive Analysis

4.2.1 Demographic Profile

The survey was divided into two sections, with section one focusing on two categories of demographics, i.e., personal details and bank-related demographics. The personal details category included gender, age, qualifications, employment, and income levels. This category is presented in Table 4.1 and detailed in sections 4.2.1 to 4.2.3. The second demographics category focused on the relationship held with the bank, i.e., account type, length of the relationship, dedicated banker, and the preferred method of interacting with the bank. Section two of the survey captured the research constructs (service quality and the five dimensions, customer satisfaction, customer retention, service experience and customer lifetime value along with control variables price and rewards) tailored for the context of this study, offering a South African perspective.

Table 4.1: Demographic profile of the respondents

DEMOGRAPHIC VARIABLE	FREQUENCY	PERCENTAGE
GENDER		
Male	101	38.79%
Female	162	61.21%
Prefer not to say	3	1%
TOTAL	266	100%
AGE		
18-24	15	5.60%
25-30	46	17.24%
31-35	69	25.86%
36+	136	51.29%
TOTAL	266	100%
QUALIFICATIONS		
Degree	88	32.9%
Honours	77	29%
Masters	71	26.84%
PhD	9	3.46%
Other	21	7.79%
TOTAL	266	100%

4.2.2 Gender

Demographical details used in the survey comprised respondents of all genders, ensuring that all genders were represented. Table 4.1 presents an analysis of the respondent's gender profile. Of the 266 responses, male respondents accounted for 38.79%, while female respondents were more dominant at 61.21% compared to their male counterparts, with three respondents who preferred not to indicate their gender.

In order to ascertain gender distribution, the gender measure was used to understand the gender split between male and female respondents. From the above table, female respondents comprised the most significant number of participants, with a frequency of 163 responses. The male participation frequency was 101 responses, while three preferred not to divulge their gender, accounting for 1% of the sample. In this study, the results suggest that more female customers were in the pool of private bank customers than their male counterparts. However, Prem et al. (2020) found no difference in service quality based on gender.

4.2.3 Age

Different age groups participated in this study, as illustrated in Table 4.1. The age groups **18–24-year-olds** were the least represented group at only 5.60%. The age group, 25–30-year-olds, followed with 17.24% participation, while the **31-35-year**-olds participated at the second highest level of 25.86%. Lastly, 36 years and above comprised the highest number of participants at 51.29%. The age demographic measure helped understand the age split of the respondents to gain insight into the age group with the highest and most minor frequencies. The age demographic was utilised to zoom into the targeted age of young professionals at the point of entry and throughout their relationship with private banking.

The results show that 49% of participants were at the point of entry into private banking. This age group consisted of students, graduates, one unemployed, some new in the job market and some starting to find their feet and make their own financial decisions at different life stages (Camarate & Maritz, 2018). 51% of respondents would, by this age, have experienced the full benefit of professional banking and ultimately upgraded to the complete private bank package. This result is not surprising considering the starting age at the entry point into professional banking to the applicable period of the offering, which is five years from the date of joining. For example, if a customer joined at age 35, they would enjoy the professional banking package for the next five years and upgrade when ready based on a set criterion.

4.2.4 Qualifications

As illustrated in Table 4.1, most respondents who made up 60.50% of the total respondents held bachelor’s degrees, 15% held honours degrees, and 26% held master’s degrees. Only 2% held a PhD degree. Qualifications were used as the primary qualifying criteria for the professional offering; hence these were included as part of the demographics determining the chosen sample. The minimum qualification required for professional banking was an undergraduate or bachelor’s degree. Postgraduate qualifications were more relevant in other fields than others; for example, PhD degrees in the medical field applied to customers who qualified as medical doctors. Customers with specific titles must be addressed correctly according to their titles and status, particularly important in private banking.

4.2.5 Employment status

Figure 4.2 indicates the employment status of the respondents who participated in the survey. Most of the respondent’s income was derived from being formally employed. As can be seen in the figure, employed respondents make up 82.81% of the sample, followed by students at 8.33%, self-employed at 5.73%, and another 5.73% unemployed.

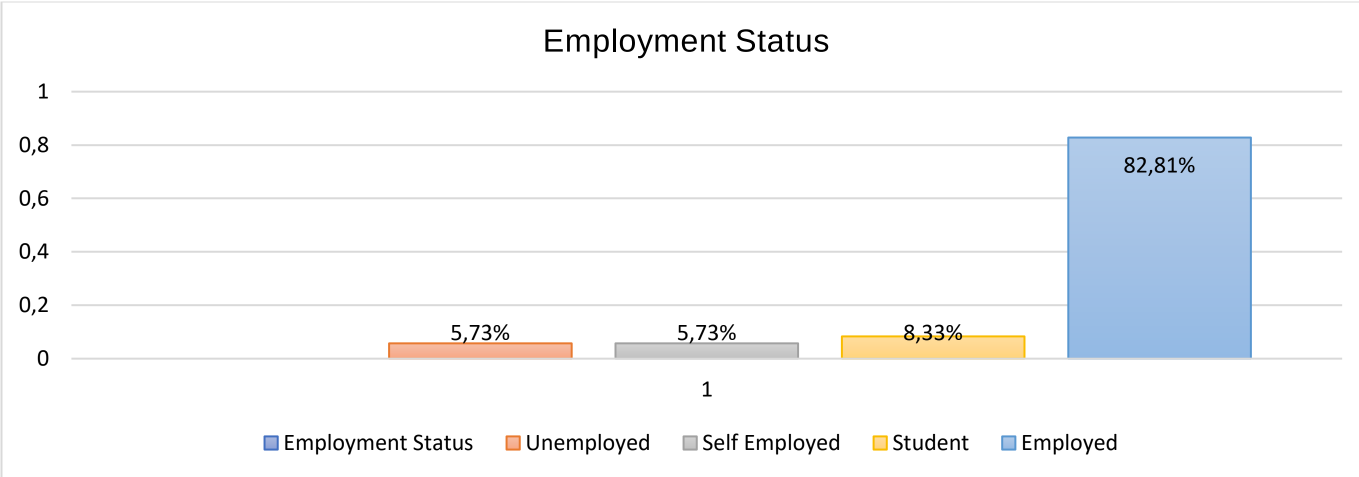


Figure 4.2: Employment status

It is not surprising that students, pre-employment make up a small part of the respondents as private banking is often offered to employed graduates regardless of their income. The self-employed respondent's representation was low. This could be attributed to young professionals in specific fields going for employment over starting their businesses in the early stages of their careers. One unemployed respondent participated in the survey but indicated some income, although not formally employed.

4. 2.6 Income levels

The respondents indicated their income levels starting with the entry-level category of R6 000 to R20 000pm, which comprised 16.76% of respondents. The R21000 to R59 000pm range, where most young professionals fall, made up the most respondents at 50.81%. The R60 000+per month category used as the income criteria for the total private bank package made up 32.43% of the sample. Figure 4.3 summarises the income levels of all the respondents.

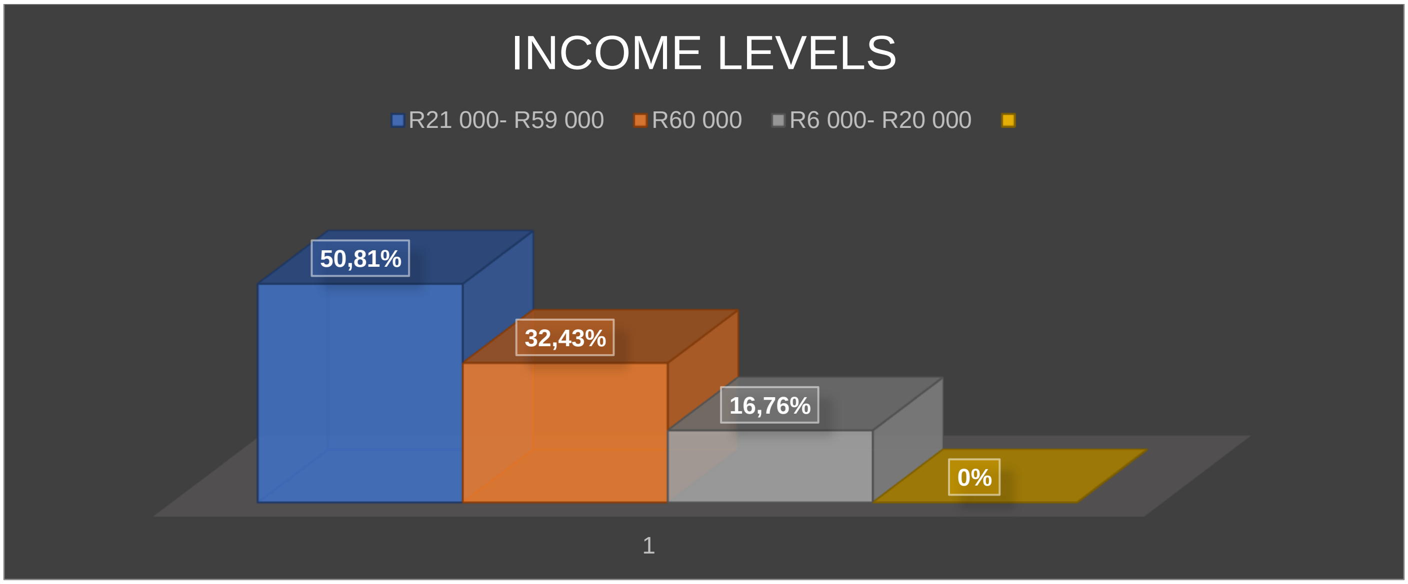


Figure 4.3: Income levels

The income demographic was used to measure the income levels and distribution among the participants. The range started from entry-level salaries and student income, then proceeded to the minimum entry income according to young professional criterion. This category included a pool of potential private banking and young professional customers. The next bracket was the minimum income requirement for the total private banking offering. The wealthiest and most lucrative base resided in the last category, a sought-out market share by banks to get, keep and grow (Makina 2021).

The above findings suggest that most respondents are suited for the young professional offering based on their income levels. 32.43% of the participants earn sufficient income to qualify and upgrade to the total private banking offering.

4.2.7 Account type

Results for the account types held by respondents are illustrated in Figure 4.4. The majority of participants (53.76%) indicated their account type as private banking, with a frequency of 123 of the total respondents. A frequency of 143 of the 266 respondents accounted for 46.24% of respondents who indicated that they held a professional banking account.

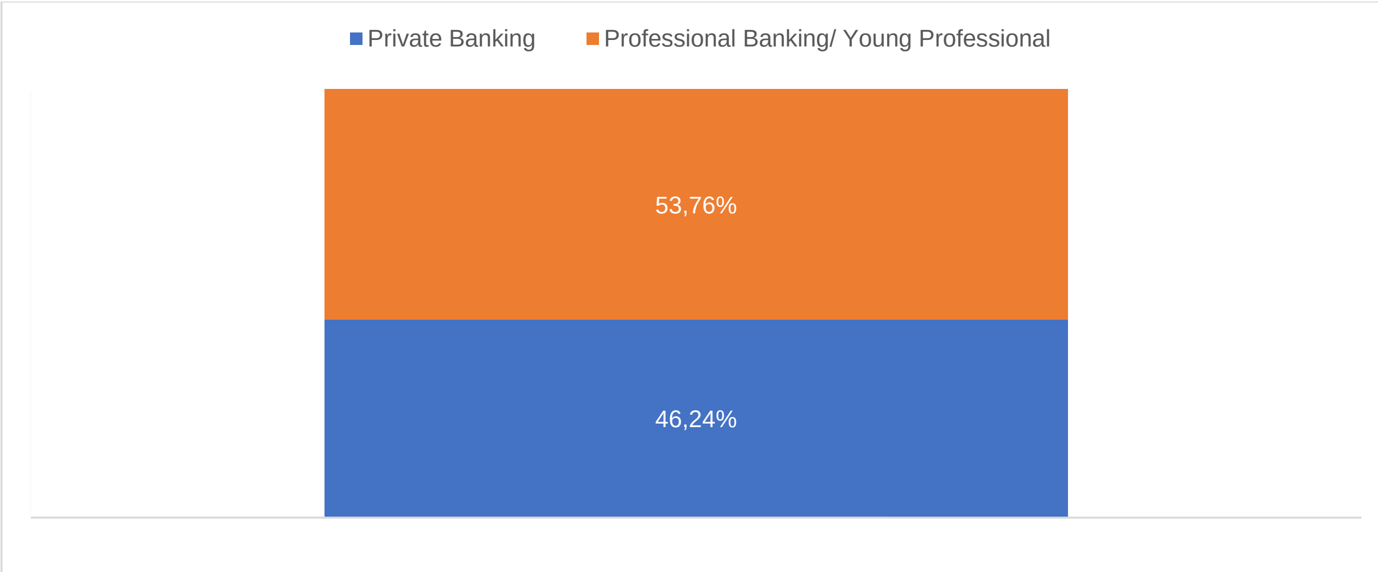


Figure 4.4: Account Type

The results illustrated in Figure 4.4 were not surprising. The account type item was selected based on the understanding that some customers understand private banking to be the same as professional banking as it falls within private banking. The distinction validates the assumption that other customers know professional banking as private banking since it falls within private banking. Thus, consistent with the objectives of this study, seeking to find out perceptions of private bank customers on customer satisfaction and retention, the sample was representative of private bank customers in South Africa.

4.2.8 Length of relationship

Figure 4.5 illustrates the relationship length with the bank, where the majority of the respondents (55.60%) had their accounts for more than six years, followed by those who had had their accounts for 3-5 years at 29.74%. A small minority of respondents had their accounts for 1-2 years (7.76%), and only 6.90% had accounted for one year or less.

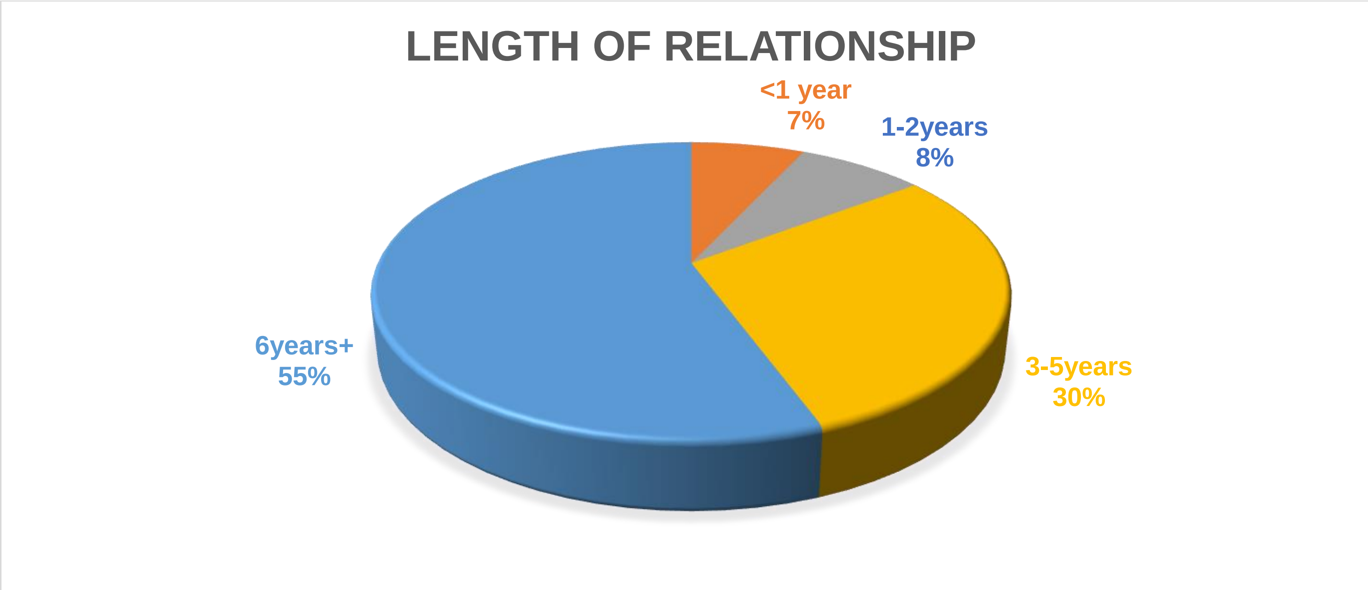


Figure 4.5: Length of relationship

The creation of trusting long-term relationships (Subramanian, 2018) starts with acquisition efforts and a seamless service experience that translates into the desired customer behaviour. The length of the relationship or number of years the primary account is held with private banking was added to indicate how long the customer would have enjoyed the offering. The relationship length demographic allowed for analysis of how service quality perceptions differ as customers progress through the relationship life cycle.

4.2.9 Dedicated Banker

At a minimum, all private banking or young professionals had an allocated banker when on-boarded to private banking. Often customers deal with the private banking team and transactional banker and may not be aware that they have a banker allocated to them. This impacts perceptions about the CVP. Figure 4.6 illustrates a split in the number of customers who know their private banker and those that do not have a dedicated private banker.

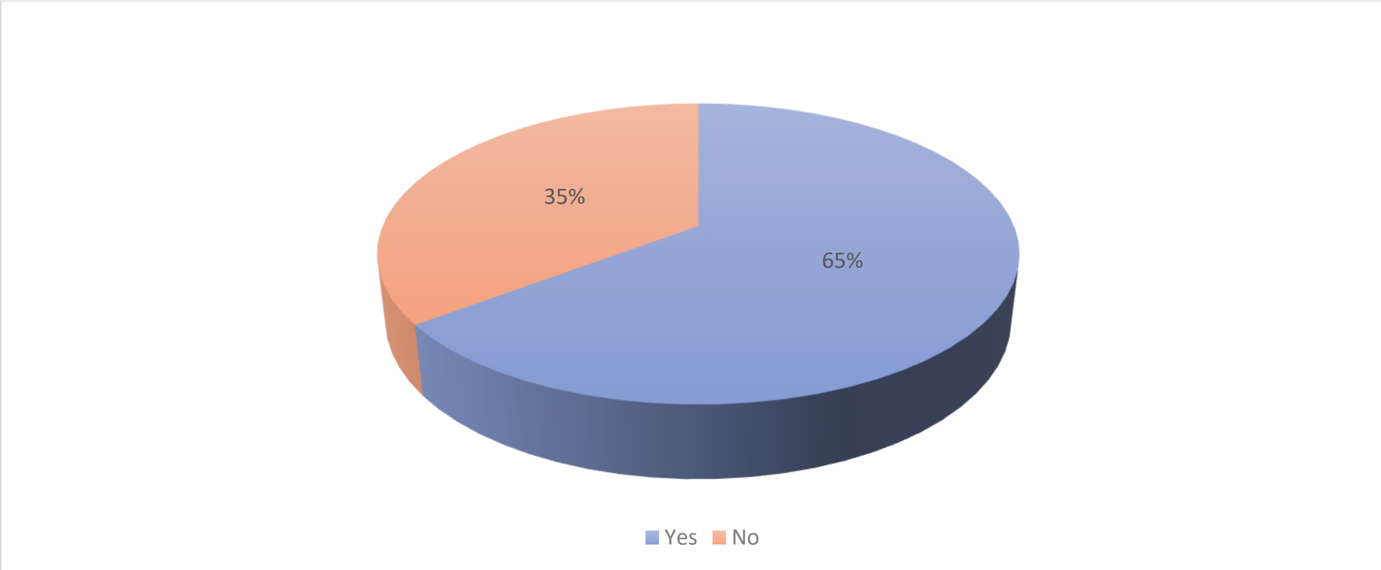


Figure 4.6: Dedicated Banker

Figure 4.6 shows respondents who indicated that they have a dedicated private banker account for 65% of the total responses, while 35% indicated that they did not have a dedicated private banker. This result may align with the value proposition for professional banking, where a dedicated private banker must be allocated to serve the customer. The private banker is often supplemented by a private bank team such as transactional bankers or CST to deal with the day-to-day transactional need. Customers who interact with the CST and self-service banking channels may have had no direct interaction with the private banker. Since banks have transformed from physical to digital (Makina, 2020), customers can opt to do their banking through CST or self-service banking.

4.2.10 Preferred method of communication

Figure 4.7 summarises customers' most preferred method to interact with their banks. It was observed that the most preferred method of interacting with the bank is the mobile banking App (37.61%) which is widely used to interact with the bank owing to its convenience. Respondents who use internet banking (21.40%) followed by respondents who get in touch with their bankers through email (15.23%), phoning the banker (10.81%), WhatsApp the banker (9.91%) is also a growing method of communication with the bank while meeting in person is least preferred at 4.28% and other methods (0.68%). Although not ranked in order of preference but a combination of communication and interaction methods could be used, the mobile banking app scored highest, as illustrated in Figure 4.7 below.

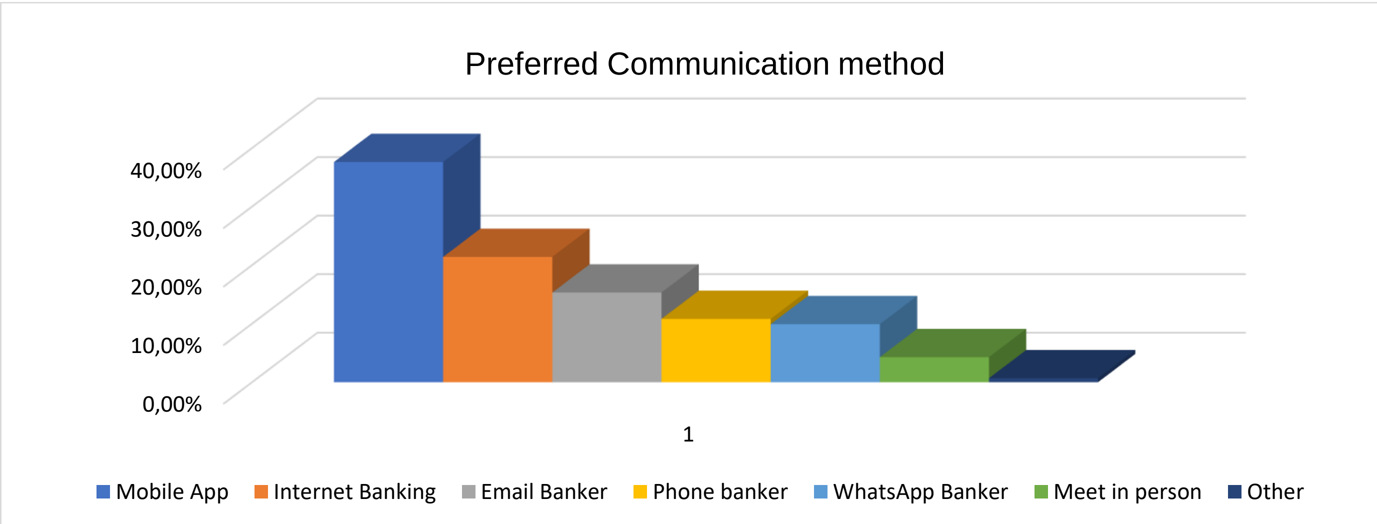


Figure 4.7: Communication preference

The convenience that came with the use of mobile banking Apps made it the most preferred method of communication. The second most preferred method to interact with the bank was internet banking; this may have been due to customers migrating from internet banking to mobile. Emailing and phoning the banker took third and fourth place as customers preferred self-service channels over asking for the banker's intervention. While other banks introduced WhatsApp as an official means of communication, WhatsApp was the least used as means of communicating with the bank, second to meeting the banker in person. These results were not surprising, considering that younger customers tend to be more digitally savvy (Seabury, 2016).

Similarly, results for tangibles were measured against satisfaction across all the bank's touch points, i.e., the ATM, mobile banking App, internet banking and the overall bank service measured. Most respondents (48.44%) indicated they were satisfied, 28.13% indicated they were satisfied, and less than 10% indicated they were less satisfied.

4.3 Descriptive Statistics

This section addresses the five research questions that underpin the research objectives that examined relationships between service quality, customer satisfaction and customer retention. In turn, it intended to find whether customer retention impacts the overall customer lifetime value, which informed the conceptual framework showing the relationships between the different variables under study. In pursuit of these objectives, descriptive statistics were applied, and the results informed the proposed framework showcasing relationships between the different variables under study.

Table 4.2 illustrates the analysis undertaken to understand and evaluate the impact of service quality on customer satisfaction and customer retention. This was done before applying multivariate data analysis measuring normality with skewness and kurtosis. Tabularized results show the minimum and maximum statics, the mean, standard deviation, skewness, and kurtosis of the sample variables.

Table 4.2: Descriptive Statistics

Descriptive Statistics							
	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic
SQ	266	1.00	5.00	3.5038	.93756	-.530	-.136
RL	266	1.00	5.00	3.4098	.95628	-.342	-.516
RE	266	1.00	5.00	3.3722	.96683	-.452	-.311
AS	266	1.00	5.00	3.6216	.80645	-.572	.147
EM	266	1.00	5.00	3.0890	1.10612	-.262	-.754
CS	266	1.00	5.00	3.6100	.95036	-.881	.238
CR	266	1.00	5.00	4.2406	1.06771	-.291	-.534
CE	266	1.00	5.00	3.2977	.91102	-.350	-.222

Key- SQ: Service Quality, RL: Reliability, RE: Responsiveness, AS: Assurance, EM: Empathy, CS: Customer Satisfaction, CR: Customer Retention, CE: Service Experience

Table 4.1Table 4.2 presents the descriptive statistics, representing the various levels of customer service quality perceptions. The minimum and maximum values represent the degree to which respondents agreed or disagreed with a statement on a Likert scale. Standard deviation is used to understand the level of disbursement in data values from the mean. To be deemed acceptable, the Skewness and Kurtosis values must lie between -4 and +4 (Rahman, Islam & Ameen, 2019). The mean values for most variables were below 4, implying that the level of service quality perceptions about private banking is moderately high. Customer retention (CR) had the highest mean score of 4.2406, indicative of high perceptions relating to customer retention.

The scores for **SQ** ($\bar{x}$=3.5038: SD 0.93756) show a mean of 3.5038, close to 4, at which customers agreed to service quality impacts customer satisfaction and retention. The result means that customers recognize and value the service quality that influences customer satisfaction. The score for Item **RL** ($\bar{x}$Aligned with Islam (2020) who found reliability a positive but not to have significance between reliability and customer satisfaction. =3.4098: SD 0.95628) with minimum and maximum values. The mean score of 3.4 was above the neutral score and thus demonstrating that customers recognise the dependability of services offered by the bank.

Scores for **RE** ($\bar{x}$=3.3722 SD 0.966683), with a mean score above 0.3 (33.7%) and a standard deviation at 0.966683, indicating customers leaning toward agreeing with the impact of reliability on customer satisfaction. **EM scored** ($\bar{x}$=3.0890: SD 1.10612), indicating a degree of uncertainty regarding the level of impact empathy has on customer satisfaction. Results for **SE** ($\bar{x}$=3.2977: SD 0.91102) suggest a gap in understanding customer needs and the willingness to provide superior service experience using human skills such as empathy and care.

The mean and standard deviation results for **AS** ($\bar{x}$=3.6216: SD 0.80645) confirmed customer confidence in the bank employee's ability to meet their needs, giving them the assurance required when delivering service. This result is consistent with the findings by Ahmed et al. (2017), who found reliability and assurance to positively influence customer satisfaction.

Results for **CS** ($\bar{x}$=3.6100: SD 0.95036) reflect a positive trend towards customer satisfaction, implying that the measured service quality dimension does influence customer satisfaction. The same can be said for **CR** results ($\bar{x}$=4.2406: SD 1.06771) that exhibited favourable results regarding service quality perceptions against customer retention. The mean value of customer retention is above 4, implying that the retention of private bank customers is high in this study.

4.4 Inferential Statistics

This section presents inferential statistics with reliability test results, internal consistency assessments, correlations, and relationships between variables. Discriminant validity and path analysis results are presented concerning the results of hypotheses testing.

4.4 1 Reliability Test

The examination of the reliability and validity of the eight measurement scales succeeded as the next step in the data analysis process. The Cronbach's Alpha and Composite reliability methods were utilised to test reliability before running the structural model. To measure reliability, a rule of thumb confirmed by Bhatta and Durgapal (2016) indicates that if a value is >0.9 as excellent, >0.8 to be good,> 0.7 acceptable, >0.5 to be questionable and <0.5 unacceptable. Thus, variables with a Cronbach's Alpha value and composite reliability of >0.6 were deemed reliable. Variables with a Cronbach's alpha score of < 0.6 were discarded and excluded from further analysis. Table 4.3 details the reliability test results.

Table 4.3: Reliability Test

Measurement Scales	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
AS	0.709	0.738	0.836	0.638
SE	0.896	0.904	0.923	0.707
CR	0.794	0.859	0.904	0.826
CS	0.882	0.896	0.923	0.749
EM	0.907	0.912	0.942	0.844
RE	0.817	0.825	0.894	0.738
RL	0.750	0.764	0.857	0.666
SQ	0.773	0.800	0.867	0.685

Key- SQ: service quality, RL: reliability, RE: responsiveness, AS: assurance, EM: empathy, CS: customer satisfaction, CR: customer retention, CE: service experience

The reliability test results illustrated in Table 4.3 were obtained through the SmartPLS version 3.0 software using the Partial Least Square. Based on the results, all eight variables had Cronbach Alpha values above 0.6, deemed acceptable and indicative of good reliability. Convergent validity was measured through the Average Variance Extracted (AVE). The AVE values ranged from 0.638 to 0.844, higher than the threshold that achieved the required convergent validity. The ten items that were tested included service quality (SQ), tangibles (TG), reliability (RL), responsiveness (RE), empathy (EM), assurance (AS), customer satisfaction (CS), customer retention (CR), customer lifetime value (CLV), service experience (SE) with two control variables price (P) and loyalty rewards (LR). Variables that scored 0.7 and above were deemed acceptable for further analysis. Of the ten variables, two items were found to have low Cronbach's alpha scores. These variables were tangibles (TG) and customer lifetime value along with the control variable, i.e., price and loyalty rewards, and thus not included for further analysis. The remaining eight items were then subjected to further analysis using a scale of 1 to 5, and thus the results are presented in Table 4.3.

4.4.2 Cronbach's alpha test

Prior to commencing with the analysis, the reliability of the data reliability was analysed using Cronbach's Alpha test. The below tables show the results for each item that was tested. Two constructs: Tangibles (TG) alpha =0.357 and Customer Lifetime Value (CLV) alpha =0.215, were discarded from further data analysis because their Cronbach's alpha values were much less than the 0.6 minimum acceptable requirement. Only two items (CR5 and CR6) were retained for the customer retention scale. In contrast, the rest of the items were discarded to improve the reliability of a Cronbach's alpha value above 0.6. For the service experience scale, items SE5 and SE6 were discarded for the same reason. Table 4.4 presents the details of Cronbach's alpha test. The analysis shows pretty good alpha values and can thus be considered good internal consistency in the cases of all the others. The tangibles and customer lifetime value cases were deemed unacceptable, with scores of 0.357 and 0.251.

The Cronbach's alpha test results highlight two variables with values of <0.7, which were discarded to improve reliability and the rest of the variables with values ranging from 0.702 to 0.906 were retained. The recommended Cronbach Alpha threshold of 0.7 was met in this study (Ahmad et al., 2021). A high Cronbach's alpha coefficient of the measurement scale indicates higher reliability. The closer the alpha values are to 1.00, the stronger the reliability; thus, Cronbach's alpha scores above 0.7 to 0.906 are deemed acceptable and surpass the required levels measuring internal consistency.

4.4.3 Correlations

The focus of this study was to determine the impact of service quality on customer satisfaction and customer retention by examining the relationships between variables. Correlations enable the assessment of linear relationships that exist between two quantitative variables. Pearson correlations range from -1.00 to 1.00 as extremes representing perfect and strong relationships, while 0.00 indicates *n* linear relationship. The relationships between the study's main variables were assessed, analysed, and presented in Table 4.4 below.

Table 4.4: Correlations

	AS	SE	CR	CS	EM	RE	RL	SQ
AS	1.000	0.743	0.250	0.656	0.824	0.782	0.705	0.564
SE	0.743	1.000	0.227	0.742	0.788	0.767	0.786	0.678
CR	0.250	0.227	1.000	0.229	0.289	0.243	0.157	0.217
CS	0.656	0.742	0.229	1.000	0.708	0.806	0.773	0.786
EM	0.824	0.788	0.289	0.708	1.000	0.840	0.749	0.597
RE	0.782	0.767	0.243	0.806	0.840	1.000	0.778	0.675
RL	0.705	0.786	0.157	0.773	0.749	0.778	1.000	0.764
SQ	0.564	0.678	0.217	0.786	0.597	0.675	0.764	1.000

Key- SQ: service quality, RL: reliability, RE: responsiveness, AS: assurance, EM: empathy, CS: customer satisfaction, CR: customer retention, CE: service experience

The correlation results revealed that relationships ranging from 0.157 to 1.00 exist between variables. The strongest relationship is noted between empathy and service experience; 0.788, as well as reliability and customer satisfaction: 0.806. These results imply that when empathy increased, so would service experience equally, and an increase in reliability factors would increase customer satisfaction. Consistent with a study by Prem et al. (2020), who found reliability to be a significant predictor of service quality. Less significant relationships were noted between customer retention and service experience (0.227), implying that customer retention has an insignificant impact on service experience.

A further insignificant relationship was noted between reliability and customer retention (0.157) and customer retention and customer satisfaction (0.229). This finding implies that although a relationship between the two variables exists, a shift in customer satisfaction would not significantly move customer retention, which is consistent with Rahman et al.'s (2019) finding of a positive relationship between customer satisfaction and behavioural intentions. However, strong and significant relationships were noted between service quality and customer satisfaction (0.786), indicative of the impact service quality has on customer satisfaction. Similarly, high correlations were observed between service experience and customer satisfaction (0.742). This finding implies that where service quality and customer experience increased, so would customer satisfaction. This is supported by Deshwal (2016), who found that creating meaningful customer experiences will lead to customer satisfaction, which is critical for banks to achieve a competitive advantage.

4.4.4 Convergent and Discriminant Validity Assessment

The validity assessment was done using convergent validity and discriminant validity. To assess convergent validity, factor loading/ item-to-total correlation values for each research variable. The results of this study show that all the factor loadings related to the items used to measure constructs were higher than 0.5. Since factor loadings should be at least higher than 0.4, items with factor loading less than 0.4 were discarded during scale purification. Table 4.5 details the results of the convergent validity assessment.

Table 4.5: Factor loadings

	AS	CE	CR	CS	EM	RE	RL	SQ
AS1	0.582							
AS2	0.892							
AS3	0.883							
SE1		0.899						
SE2		0.890						
SE3		0.829						
SE4		0.790						
SE7		0.788						
CR5			0.877					
CR6			0.940					
CS1				0.888				
CS2				0.828				
CS3				0.893				
CS4				0.852				
EM1					0.925			
EM2					0.935			
EM3					0.896			
RE1						0.908		
RE2						0.870		
RE3						0.795		
RL1							0.777	
RL2							0.848	
RL3							0.822	
SQ1								0.801
SQ2								0.803
SQ3								0.877

Key- SQ: service quality, RL: reliability, RE: responsiveness, AS: assurance, EM: empathy, CS: customer satisfaction, CR: customer retention, CE: service experience

Table 4.5 displays the outcomes of the factor loadings and how the items measured live up to the convergent validity criterion. The factor loading of all the items utilized in the data analysis was above 0.5, suggesting that the items met the criteria for the average variance (AVE) and measured at least 50% of what they were to measure. Assurance loading items ranged from 0.582 to 0.883, service experience loading from 0.788 to 0.899, customer retention items ranged from 0.877 to 0.940, items with factor loading less than 0.4 were discarded, and only two items were retained. Customer satisfaction items ranged from 0.828 and 0.893. Empathy items ranged from 0.896 to 0.935. Reliability item loading ranged from 0.795 to 0.908, reliability had loadings from 0.777 to 0.848, and service quality had loading ranging from 0.801 to 0.877.

4.4.5 Discriminant validity

The extent to which a construct is distinct from other constructs, its uniqueness and its ability to capture phenomena over others is known as discriminant validity. Thus, the Q-sorting chi-square difference test, AVE test and correlations are used to measure discriminant validity. Table 4.6 shows the results of the discriminant validity test undertaken for the items in this study.

Table 4.6: Discriminant Validity Results

	AS	CE	CR	CS	EM	RE	RL	SQ
AS	0.799							
CE	0.743	0.841						
CR	0.250	0.227	0.909					
CS	0.656	0.742	0.229	0.866				
EM	0.824	0.788	0.289	0.708	0.918			
RE	0.782	0.767	0.243	0.806	0.840	0.859		
RL	0.705	0.786	0.157	0.773	0.749	0.778	0.816	
SQ	0.564	0.678	0.217	0.786	0.597	0.675	0.764	0.828

Key- SQ: service quality, RL: reliability, RE: responsiveness, AS: assurance, EM: empathy, CS: customer satisfaction, CR: customer retention, CE: service experience

Table 4.6 shows the results of all constructs evaluated for correlations amongst latent constructs below 1.0, as can be seen for the constructs under study were at the acceptable level.

4.4.6 Path Analysis

The path analysis results are presented in Table 4.7. Lateral collinearity assessment, path coefficients, and coefficient of determination were used to measure the validity of the structural model. Path Analysis was used to test the established framework on the relationship between eight variables: assurance, customer experience, customer retention, customer satisfaction, empathy, responsiveness, reliability, and service quality. The data analysis tool was used to analyse data and establish validation and non-validation based on the SEM results.

Table 4.7: Path Analysis Results

	AS	*CE*	*CR*	*CS*	*EM*	*RE*	*RL*	*SQ*
AS				-0.037				
CE				0.128				
CR								
CS			0.229					
EM				-0.006				
RE				0.420				
RL				0.095				
SQ				0.367				

Table 4.7 represents path coefficient results, positive relationships noted amongst six of the eight Assurance and empathy showed the weakest and negative mediating the relationship between service quality, customer satisfaction and customer retention.

4.5 SEM results for Service Quality, Customer Satisfaction and Retention

The results of structural equation modelling presented in Table 4.7 show a positive relationship between service quality and customer satisfaction (β=0.367; t=8.365; p=0.000). This result implies that customer satisfaction will increase by 36.7% if service quality increases. If the p-value is below 0.05, the result can be accepted as correct significant. The results further show a positive relationship between customer satisfaction and customer retention (CS -> CR: β=0.229; t=3.665; p=0.000). This indicates that where customer satisfaction increases, customer retention will increase by 22.9%. Similarly, a positive relationship exists between reliability and customer satisfaction (RE -> CS: β=0.420; t=5.124; p=0.000), meaning that an increase in responsiveness will increase customer satisfaction by a margin of 42.0%. Conversely, three variables with p-values above 0.05 had an insignificant impact on customer satisfaction. Empathy (EM ->CS: β=-0.006; t=0.086; p=0.934), assurance (AS -> CS: β=-0.037; t=0.047; p=0.645), as well as reliability (RL -> CS: β=-0.095; t=1.404; p=0.161).

The SEM results shown in Figure 4.8 represent the relationships between service quality dimensions in relation to customer satisfaction, customer retention and service experience. The results reveal positive and significant relationships between service quality and customer satisfaction (0.367). This result is consistent with findings from Akeem et al. (2021), who found strong relationships between service quality and customer satisfaction.

This study found that reliability, assurance, and empathy had an insignificant impact on customer satisfaction. These results contrast with the results found by Bhatta and Durgapal (2016), who found strong correlations and statistical significance between reliability, assurance and empathy and customer satisfaction. However, Tarkang et al. (2021) agree with the study's finding for empathy, where they found empathy to not affect customer satisfaction in a different study context.

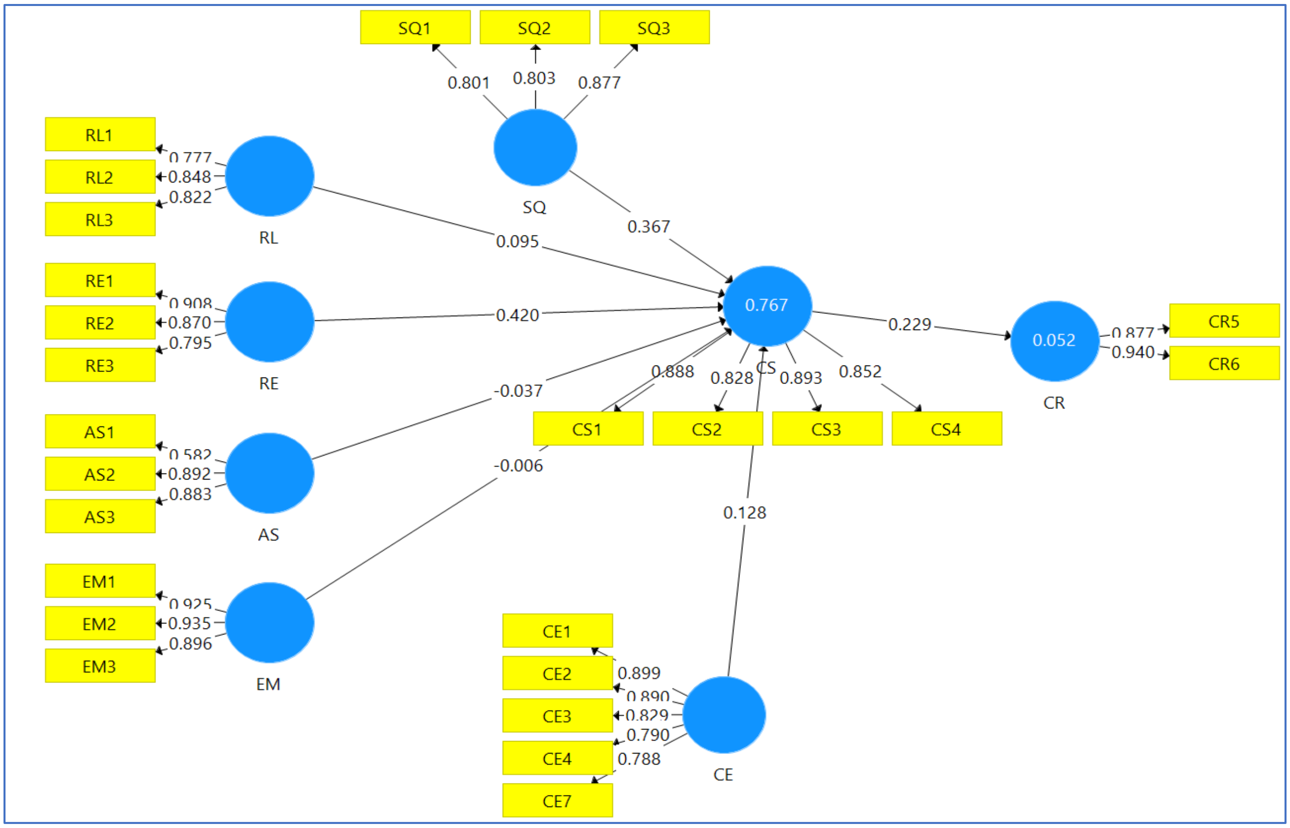


Figure 4.8: SEM results for Customer Satisfaction

Figure 4.8 also presents positive and significant results that can be seen between service experience and customer satisfaction (0.128). This result implies that where customers experience meaningful customer experiences, it leads to customer satisfaction. Consistent with findings by Deshwal (2016), who confirms the impact of meaningful service experiences on customer satisfaction as a critical factor in achieving competitive advantage. The results also show strong relationships between customer satisfaction and customer retention (0.229), meaning satisfied customers can be retained. This finding concurs with Rahman et al. (2019), who found that positive customer satisfaction relationships are strongly linked to behavioural intentions such as customer retention. The results of the mean, standard deviation, T-statistics, and p-values are further detailed in **Error! Reference source not found.** below.

Table 4.8: Analysis of the Inner Model: Customer Satisfaction

	ORIGINAL SAMPLE (O)	SAMPLE MEAN (M)	STANDARD DEVIATION	T STATISTICS (|O/STDEV|)	P VALUES
AS -> CS	-0.037	-0.042	0.083	0.448	0.654
CE -> CS	0.128	0.132	0.065	1.973	0.049
CS -> CR	0.229	0.232	0.062	3.665	0.000
EM -> CS	-0.006	-0.010	0.074	0.083	0.934
RE -> CS	0.420	0.426	0.082	5.124	0.000
RL -> CS	0.095	0.091	0.068	1.404	0.161
SQ -> CS	0.367	0.370	0.044	8.365	0.000

The relationships in Figure 4.8 are consistent with the significance details in **Error! Reference source not found.**. Customer retention, responsiveness, and service quality with p-values of 0.00 and service experience (CE) with p-values of 0.049 are strong relationships with an effect on customer satisfaction. Assurance, empathy, and reliability have p-values ranging from (0.161 to 0.934) indicative of insignificant relations between the variables and customer satisfaction. Consistent with the results in Figure 4.8 and findings by Bhatta and Durgapal (2016) and Tarkang et al. (2021), who concur on the insignificant effect of assurance, empathy, and reliability on customer satisfaction.

4.6 SEM results for Service quality and customer retention

Error! Reference source not found. shows the significance results of service quality and customer retention. Insignificant relationships can be noted between assurance, empathy, and service quality (β=0.028, β=0.258, β=0.136). These variables thus have an insignificant effect on customer retention as the p-values are all above 0.05. Service experience and reliability negatively affect customer retention (β=-0.002, β=-0.057 and β=-0.028). This result implies that customer experience has an insignificant effect on customer retention.

Table 4.9: Analysis of the Inner Model: Customer retention

	Original Sample (O)	Sample Mean (M)	Standard Deviation	T Statistics (|O/STDEV|)	P Values
AS -> CR	0.028	0.024	0.121	0.228	0.820
CE -> CR	-0.002	0.018	0.117	0.017	0.986
EM -> CR	0.258	0.256	0.147	1.762	0.079
RE -> CR	-0.057	-0.056	0.141	0.402	0.688
RL -> CR	-0.028	-0.021	0.139	0.205	0.838
SQ -> CR	0.136	0.135	0.088	1.560	0.119

Table 4.9 details the significant relationships between service quality variables, customer satisfaction, service experience and customer retention. This analysis zoned in on any direct relationship between service quality and customer retention. The t-values for all the variables are less than 1.96 meaning all the relationships are significant. This finding is complemented by Hamilton-Ibama and Ihunwo (2022), who found empathy to significantly impact customer satisfaction.

Figure 4.9 shows that the service quality dimensions, reliability and responsiveness negatively affect customer retention. Assurance and empathy have positive insignificant relationships with customer retention. This is consistent with the findings by Hamilton-Ibama & Ihunwo (2022) that empathy has a significant impact on customer retention. The service quality dimensions have an insignificant but positive impact on customer retention. This means that where empathy or assurance increased, so would customer retention.

4.7 Hypotheses Test Results

A summary of the hypotheses testing results is presented in Table 4.10 below, showing the regression analysis results using the path analysis technique and SMART partial least square (PLS) version 3.0. The probability values show the statistical significance independent variables have on the dependent variables. Where the p-values were less than 0.05, the variable would show statistical significance in predicting the dependent variable, thus leading to the acceptance of the null hypothesis. Where the probability values were greater than 0.05, the variable had no significant impact on predicting the dependent variable, and thus the null hypothesis would be rejected. Further analysis revealed two constructs with weak reliability scores that could not be used in further analysis of the study's results. The exclusion of the two constructs, tangibles and CLV, led to the hypothesis and relationships linked to those variables not being supported. Five hypotheses proposed in the study were supported, as illustrated below in Table 4.10

: Hypotheses testing results

Table 4.10: Hypotheses Testing Results

Hypothesis	***Path***	***Path Coefficient B***	***P-value***	***Results***
H1	**Service Quality (SQ) →Customer Satisfaction**	0.367	0.000	***Positive and significant***
	*Perceived Tangibles **(TG)*** →Customer *satisfaction (CS)*	*-0.00*	*-0.00*	*Not supported*
	*Perceived Reliability **(RL)*** →Customer *satisfaction (CS))*	*0.095*	*0.161*	*Positive and insignificant*
	*Perceived Responsiveness **(RE)*** →Customer *satisfaction (CS)*	*0.420*	0.000	*Positive and **significant***
	*Perceived Assurance **(AS)*** → Customer *satisfaction (CS)*	*-0.037*	0.654	*Negative and insignificant*
	*Perceived Empathy **(EM)*** →Customer *satisfaction (CS)*	*-0.006*	0.934	*Negative and insignificant*
H2	*Service Quality (CS Satisfaction (CS)*	1.560	0.119	*Positive and insignificant*
H3	*Customer Satisfaction (CS)* →Customer *Retention (CR)*	*0.229*	0.000	*Positive and **significant***
H4	Service Experience **(CE)** → Customer Satisfaction (CS)	0.128	*0.049*	*Positive and **significant***
H5	Service Experience **(CE)** → Customer Retention (CR)	0.017	0.986	*Positive and in**significant***

Source: Researcher extract from results

From the above table, the study proposed and set out to validate 5 hypotheses were supported and accepted. Low-reliability scores led to the exclusion of CLV (0.215) from further analysis. Details of the accepted hypotheses listed in **Error! Reference source not found.** are discussed in the below sections.

4.7.1 Service quality and customer satisfaction *(H1)*

The study sought to examine the impact of the five service quality dimensions used to measure service quality on customer satisfaction. It as thus hypothesised that service quality has a positive impact on customer satisfaction. In terms of Tangibles**,** the study found that most customers were comfortable with the visual appeal of the bank and private banking in general. With the overall tangibles scores, it can be observed that customers expect banks to be on par with other banks and have the basics in place. Where all the service delivery touch points can be imbibed with customer experience, attention must be given to the emotional responses and intellectual, physical, and spiritual components that impact the creation of service experience (Jüttner, Schaffner, Windler & Maklan, 2013).

The study found high satisfaction levels with reliability, acknowledging the ability of private banking to execute diligently and accurately the tasks at hand. As can be observed in **Error! Reference source not found.**, Perceived Reliability **(RL)** →Customer satisfaction (CS) is supported by the hypothesis, although insignificant, indicated by p=0.161 and path coefficient: 0.095. This implies a positive relationship between reliability and customer satisfaction; where reliability increased, so would customer satisfaction.

Responsiveness was rated by many customers showing high satisfaction levels with the bank's product offering and range. Personalized services immanent in the private bank space were complimented by customers who also have a healthy relationship with their bankers. Perceived Responsiveness Customer satisfaction (CS) is supported by the hypothesis and is significant with p=0.000 and a path coefficient: of 5.124. This result indicates that responsiveness directly and positively influences customer satisfaction. Overall satisfaction scores for responsiveness show that customers recognize the private banker's role as a trusted advisor. This is supported by Islam et al. (2020), who found responsiveness to be a critical determinant of customer satisfaction, calling for investments in technological infrastructure to improve responsiveness and swift banking.

The fourth dimension, Assurance **(AS)** → Customer satisfaction (CS), was not supported at p: 0.654 and path coefficient: -0.367. This suggests that a negative and insignificant relationship exists between assurance and customer satisfaction, thus rejecting the null hypothesis. For the last service quality dimension of empathy **(H5)**, Empathy **(EM)** →Customer satisfaction (CS) at p=0.083 and path coefficient: -0.006, the hypothesis was not supported. The results indicate a negative and insignificant relationship between empathy and customer satisfaction. Survey results further show that customers felt they received individual attention and bankers were sincere in attending to customer needs. While the result shows an insignificant impact on customer satisfaction, empathy and assurance significantly contribute to customer satisfaction when used together with other service quality dimensions.

The research findings indicate that empathy has an insignificant impact on customer satisfaction, in contrast with findings from Tarkang et al. (2021), who found empathy to significantly impact customer satisfaction. The current study's result could differ because empathy was measured when digital banking was elevated, with more customers using digital channels over human-to-human contact (Makina, 2020).

Results from the empirical study showed that the data was pretty disbursed, indicating acceptable satisfaction levels with service experience, with all the dimensions impacting satisfaction to varying degrees. The findings supported Parasuraman et al. (1988) and Abdul et al. (2022), who found service quality dimensions to significantly impact customer satisfaction.

4.7.2 Service quality and customer retention *(H2)*

This study also sought to examine the impact of service quality on customer retention and revealed significant relationship exists between the two variables. The study hypothesised that service quality (reliability, responsiveness, assurance, and empathy) has a positive impact on customer retention. Thus, the results reflect positive (p:1.560) and insignificant ($\bar{x}$=:0.119) in support of the hypothesis. More than 50% of customers indicated that they were satisfied with the current service, while others felt the price was too high. This means that price influences the bank's ability to retain customers, which puts the bank at risk of losing these customers to competitors.

The study further noted, many customers were not satisfied enough to consider upgrading their accounts. There were various reasons why customers would choose not to upgrade, including dissatisfaction with the current service. On the other hand, majority of customers were fully entrenched with their current bank, held multiple products, and belonged to the bank's loyalty rewards program. This implies that customers with strong ties with their bank may find it challenging to defect. The potential to upgrade and realize more profits is more imminent amongst existing customers since existing and satisfied customers tend to be less price sensitive. These findings agree with Hundre et al. (2021), who noted that service quality strongly influences customer retention.

4.7.3 Customer Satisfaction and Customer Retention *(H3)*

The study also sought to analyse the relationship between customer satisfaction and customer retention. The study thus hypothesised that customer satisfaction (CS) has a positive impact on customer retention (CR) at p: 0.000 and path coefficient; 3.665 is supported by the hypothesis and is significant. This suggests that customer satisfaction has a positive impact on customer retention. The relationship further suggests that increased customer satisfaction leads to increased customer retention. Customer satisfaction ($\bar{x}$=3.6100: SD 0.95036) scores reflected a positive trend toward customer satisfaction and customer retention ($\bar{x}$=4.2406: SD 1.06771) showed favourable results. This study found that customers were satisfied with how their complaints were resolved. Customers also indicated they were pleased when a sense of urgency was applied in dealing with queries and service breakdowns. A vast majority of customers indicated they were primarily satisfied with the services at different touchpoints and that they will use private bank services again in future.

The above finding is supported by Hamilton et al. (2022), stating that enhancements in the way banks respond to customer needs will curb service breakdown is key to keeping customers satisfied. Hundre et al. (2013) also found that when customers' complaints are resolved in an acceptable manner, customers get satisfied and retained, consistent with the above results. Therefore, customers will stay and be retained when service quality is high, making customer retention a necessary, profitable, and cost-effective business strategy (Hamilton & Ihunwo, 2022). The hypothesis that customer satisfaction positively impacts customer retention is thus supported.

4.7.4 Service Experience and customer satisfaction *(H4)*

The study aimed to assess the value of private banking in view of service quality perceptions with the hypothesis that service Experience **(CE)** has a positive impact on Customer Satisfaction (CS). The results indicate Service Experience **(CE)** → Customer Satisfaction (CS) (p-00.49 and path coefficient; 1.973) positive and significant. For Service Experience **(CE)** → Customer Retention (CR) (p=0.96 and path coefficient: 0.017) positive but insignificant. Whereas the null hypothesis for Service Quality Perceptions (SQ) → Service Experience (CE). In evaluating the overall bank service quality and service experience (SE:$\bar{x}$=3.2977: SD 0.91102) the results suggest an understanding gap between customer needs and the willingness to provide superior customer experience using human skills such as empathy and care. Results relating to experience on other bank's service touch points like the mobile banking App, ATMs, and Internet Banking received a high customer satisfaction rating. Customers rated the bank's overall service higher than the service received at private banking, with more customers indicating they were not as pleased.

Further analysis of service experience and service quality revealed a positive impact on customer satisfaction. Since customers weigh the value of private banking against the services they receive, most respondents believe that the price they pay for private banking is worth the services received. In evaluating the overall bank service quality and private banking, customers feel the bank measures up to competitors offering products and services that are on par with other banks. Thus, the results of this study revealed a significant relationship between service quality and service experience. This finding is supported by a study by Bueno et al. (2019), who found that service quality variables influence customer behaviour before, during and after an interaction with a service.

The study found that service quality does not directly impact service experience, including price and rewards as control variables. Customers with a healthy relationship with their bankers are likely to be more satisfied than customers without a relationship with their bankers. Evidently, to turn customers into fans or achieve the lifetime value of customers, service quality needs to be on point in all the service touch points to compliment the services offered by private banking. This helps minimize complaints and service breakdown that often leads to the private banker and overall bank service (Hundre et al., 2013).

4.7.5 Service experience and customer retention *(H5)*

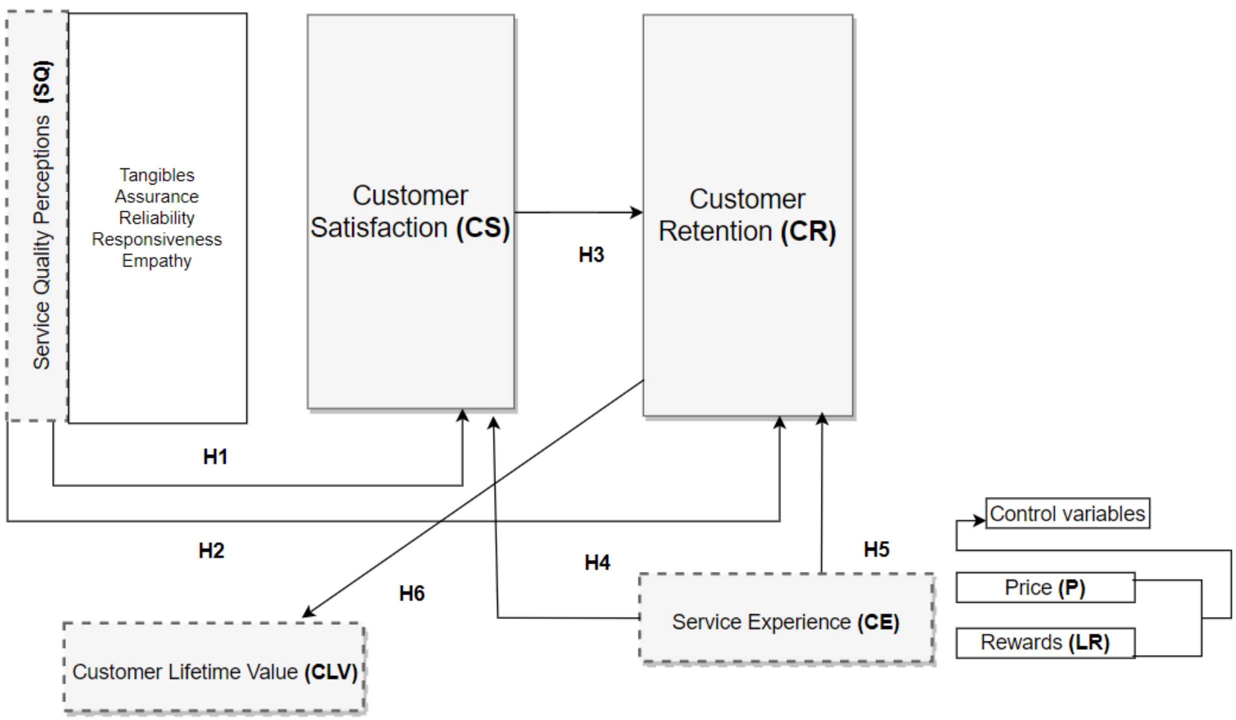
This study also sought to investigate the impact of customer satisfaction and retention on realising the full customer lifetime value in view of service quality perceptions. The research results showed that almost 50% of customers had their first account with the same bank. This finding is consistent with Deloitte (2018), who reported that customers tend to stay with their first bank. The variety of banking services and private bank CVPs available to entice the same target market also makes it difficult for customers to stay with one bank. Most participants were fully entrenched with high product holding. This could be because customers in the age groups 36+years and 31-35 years are mainly in the acquiring phase and thus hold multiple products with the bank. The bank stands a good chance of making profits since customer satisfaction leads to repurchases where customers receive superior service (Marcellia et al., 2021).

These customers enjoy the full benefit of the young professional offering with discounted pricing and hold multiple products. This may be especially true considering that loyalty programs encourage certain transactional behaviours and product holding. Since customer defection poses a real threat to banks (Hundre et al., 2013), findings consistent with Hamilton et al. (2022). He confirmed the need for banks to remain competitive by offering reliable customer service, thus, contributing to their retention. Many customers have considered switching banks or closing their accounts at least once in the lifetime of the banking relationship. About 46% were not price-sensitive and would use private banking services again among the factors considered for switching banks or closing a bank account. There is an opportunity for the bank to turn young professional customers into profitable lifetime customers. This study found no direct impact between service quality and customer lifetime value as the CLV as reliability scores were below minimum. However, the study found significant relationships between service quality, customer satisfaction and customer retention. This implies that the profits recovered over the life of the relationship will lead to the realisation of the full CLV.

4.8 The initial model

The initial model illustrated in Figure 4.1 proposed 6 hypotheses, including relationships between service quality and customer satisfaction, then the relationships between service quality and customer retention, service quality and service experience Then, relationships between customer satisfaction and customer retention, customer satisfaction and CLV, and the relationship between customer retention and CLV. These were hypothesized and tested to determine the statistical significance of the relationships.

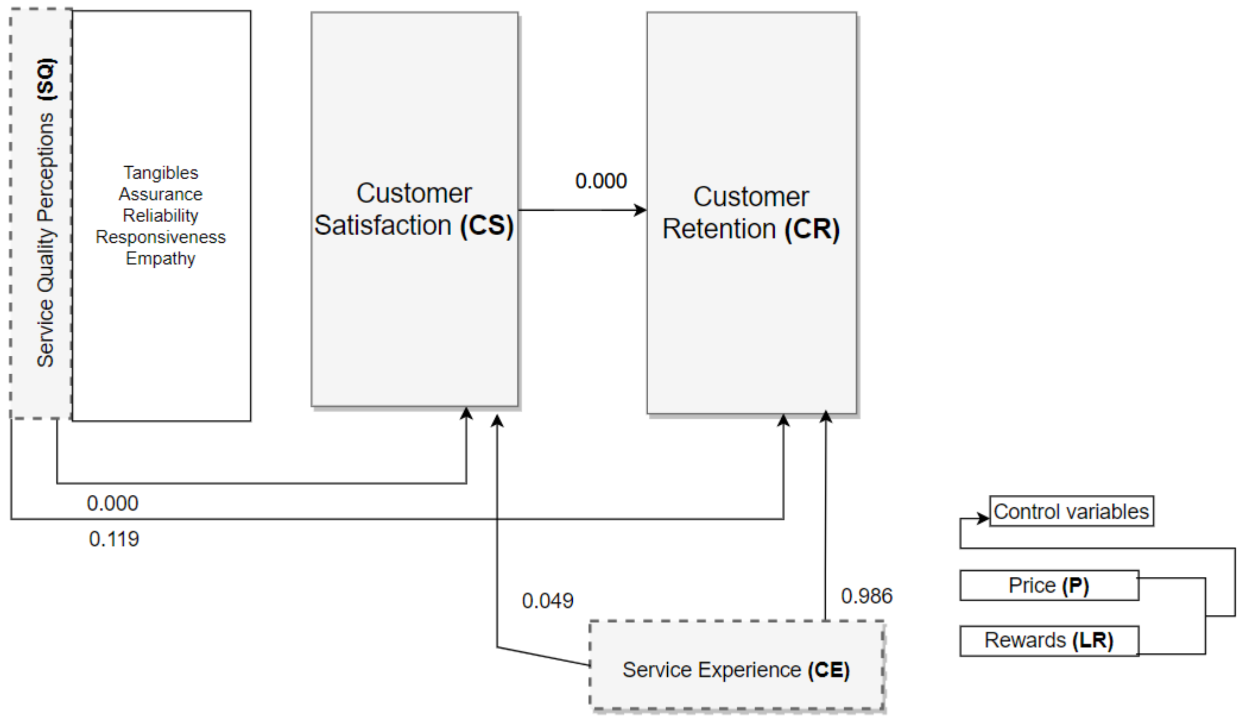
Figure 4.10: Initial conceptual model



4.9 The revised model

Testing the study's hypothesis and relationships amongst variables led to the revision of the proposed model. The revised model is presented in Figure 4.11. The hypotheses and relationships tested and accepted are thus presented below.

Figure 4.9: The revised Model



The study's proposed hypotheses were tested and revealed strong relationships amongst the variables under study. Service quality, against which the relationships were tested, was found to have a positive and significant influence on customer satisfaction and customer retention. However, service quality had no significant influence on service experience and no direct impact form customer retention to CLV. Positive relationships were found between service experience, customer satisfaction, and customer retention. With the positive and significant relationships noted, service quality positively impact customer satisfaction which in turn leads to customer retention through excellent service experience, the banks can thus achieve the customer lifetime value from young professionals by applying this framework.

4.10 Chapter Summary

The results presentation and data analysis chapter outlined the activities involved in collecting and analysing data for this study. The response rate, followed by a descriptive analysis of the demographic profile of the respondents, reflecting on the study participants' demographic characteristics, was presented. Data analysis techniques were explained to clean up and purify data, with results detailing average responses regarding the constructs from mean scores, standard deviation, and Cronbach's alpha. The chapter also presented descriptive statistics highlighting data distribution through skewness and kurtosis. Inferential statistics of the collected data and the techniques applied to test data validity and reliability are explained.

An exposition of the results of Structural Equation Modelling (SEM) offered insights into the relationships between variables under study. The results of the mean, standard deviation, T-statistics, and p-values of four relationships were below 0.05, rendering the relationships correct and thus acceptable. After the reliability and validity tests, two variables, tangibles and CLV, were discarded and not included in further analysis. Five hypotheses linked to these variables were thus not supported and informed the development of a revised conceptual model. Hypothesis testing revealed hypothesis dependencies, with thirteen hypotheses supported and accepted. The next chapter offers the study's conclusion and recommendations based on the findings and the need for future research.

5. CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter summarizes the study's conclusions and makes recommendations in light of the results presented in chapter four. This chapter also emphasizes understanding the research problem by carefully involving recommendations and potential managerial implications of the outcome. The limitations encountered during the research process are also discussed. Future research to support the study’s contribution to the greater knowledge on service quality, customer satisfaction and retention of private banking is presented.

5.1 Conclusions

The study aimed to address five research questions, as positioned in chapter one. Firstly, what impact does service quality have on customer satisfaction? Second, what impact does service quality have on customer retention? Third, how do customer service quality perceptions impact customer satisfaction and retention? Forth, what relationship exists between customer satisfaction and customer retention? Lastly, what framework can banks adopt to capture CLV? The study found that service quality influences customer satisfaction, customer retention and lifetime value in various ways. Against this background, the relationships were tested, and supported hypotheses were showcased.

5.1.1 The impact service quality has on the satisfaction

The study noted positive and negative relationships between service quality dimensions and customer satisfaction. In assessing service quality's impact on satisfaction, the study found service quality to positively influence customer satisfaction. Supported by empirical evidence, service quality positively and significantly influences customer satisfaction (β=0.367; t=8.365; p=0.000). Furthermore, the service quality dimensions show mixed relationships with customer satisfaction. Responsiveness shows a positive relationship between responsiveness and customer satisfaction, supported by empirical evidence (RE -> CS: β=0.420; p=0.000). Conversely, the relationship between three service quality dimensions, i.e., assurance, empathy, and reliability, showed a negative and insignificant impact on customer satisfaction. Empirical results supporting this for empathy (EM ->CS: β=-0.006; p=0.934), assurance (AS -> CS: β=-0.037; p=0.645), as well as reliability (RL -> CS: β=-0.095; p=0.161). These relationships can be strengthened through deliberate skills investment and rewarding the people who service private bank customers. Empowering private bank staff to show care and create memorable service experiences through the effective quality of service. The results show that, in the digital age, customers still require responsive staff who offer dependable services to meet their demands. The study thus concludes that service quality dimensions such as responsiveness can be used to improve service customer satisfaction.

5.1.2 The impact of service quality on customer retention

The study established a positive relationship between service quality and customer retention (SQ -> CR: β=0.136p=0.119). The study revealed that satisfied customers are retained; thus, ensuring customers receive excellent service quality will lead to satisfaction and retention. From a customer perspective, this leads to repeat purchases and, consequently, retention that leads to the realization of enduring and rewarding relationships. Service quality thus mediates the relationship between customer satisfaction and customer retention. Similar results can be observed where service quality dimensions were measured individually against customer retention. The service quality dimension did not directly impact customer retention, showing insignificant shifts in customer retention.

5.1.3 Service quality perceptions and the value of private banking

The empirical evidence shows that service quality perceptions arbitrate the relationship between customer satisfaction and customer retention. The study found service experience influence customer satisfaction (CE -> CS: β=0.128; p=0.049). Thus, creating meaningful service experiences translates into satisfaction which is necessary for banks to achieve a competitive advantage. Customer perceptions regarding the quality of services, including staff encounters and the bank’s products and services, inform their satisfaction levels. The study found that customers are willing to pay and upgrade to higher offerings where they receive superior service. The study found that customers with a healthy relationship with their banker tend to be less sensitive to price and willing to give the bank a chance to recover service breakdown.

5.1.4 The relationships between customer satisfaction and customer retention

Just as customer satisfaction dominates service quality relationships, the study found positive relationships between customer satisfaction and customer retention. The study concludes that customer satisfaction improves customer retention. The empirical evidence asserts these findings; CS -> CR: $\beta=0.229$; $p=0.000$), representing strong correlations between customer satisfaction and customer retention. This confirms customer satisfaction to be a statistically significant predictor of customer retention. The research established that effective customer satisfaction strategies would lead to customer retention. Thus, banks should recognize customer satisfaction and retention strategies' value.

The study concludes that to capture young professional customers' full customer life value, banks need to consciously satisfy their customers. This can be done through the maintenance of healthy relationships with customers. The study also confirmed that satisfied customers could be turned into profitable customers since satisfied customers can be retained, leading to rewarding relationships. The study confirmed that young professional customers in the acquiring phase believed they received value for their money. Customers with longer private bank relationships, entrenched through high product holding and loyalty programs, were less likely to defect. The study thus found a positive relationship between service experience and customer retention (CE -> CR: $\beta=-0.002$; $p=0.986$). This is especially true since a positive service experience influences customer behaviour before, during and after an interaction with a service. Focus on service quality perceptions regarding the value of private banking is worth investigating.

5.2 Recommendations and Managerial Implications

The findings of this study offer guidelines for improving service quality, satisfaction, and retention of private banking customers in South Africa and other countries. Managers can benefit from understanding the impact of service quality on young professionals. Based on the results of this study, service quality positively influences customer satisfaction, implying that bank managers must strive to improve service quality to increase customer satisfaction. It is against this backdrop that this study makes the following recommendations.

5.2.1 Solicit customer feedback in real-time

The results show that customer satisfaction is driven by superior service quality. This gives managers insights into the focus required to improve service quality and develop strategies that drive customer satisfaction. It is recommended that managers spend time understanding the reasons for customer dissatisfaction by evaluating the root causes and soliciting customer feedback in real-time. This will allow young professional customers to evaluate each service experience immediately after interacting with the bank. This can be done through automatic SMS or email surveys targeting the experience after a service. This feedback can be sent directly to the manager to ensure remediation happens promptly.

5.2.2 Evaluating the quality of service rendered by employees

Service quality can be assessed by evaluating employees' service quality. From insights gained from customer real-time service experience surveys, trends of poor service, knowledge gaps, or lack of skills can be abstracted. This will help to curb service breakdown and improve employee service quality abilities. Support by literature on service quality dimensions- over and above ensuring systems are always available, require that employees deliver services dependently every time. In order to realize the total value and return on the investment made to YPs upon onboarding, managers need to ensure they meet customers where they are. This implies focusing on what matters to customers, not offering once-off discounts with an expiry date, and no follow through to upgrading and customer appreciation after onboarding. Open and ongoing communication must be done through their preferred method of interaction with the bank.

5.2.3 Train and retain service employees

Insights gathered from the quality-of-service evaluations and trends can be used to develop learning pathways or curricula specifically for private banking staff. This will ensure staff are aware of what is expected of them and thus show up to meet customer needs. Opening continuous learning and development opportunities may improve employee value and morale, leading to staff retention and improved service quality. Managers must ensure that service experience is embedded at every service touch point and continue throughout the relationship life cycle. Since banks seek out profitable customers through maintaining a continuous relationship, they pursue growth and sustainability (Ekinci et al., 2012); it will be worthwhile for managers to invest in employee skills and systems that make this possible. Banks could also foster youth-friendly business terms, developing evolving products and services. Banks can also capitalise on the digital savviness of customers by improving their digital and self-service channels.

Managers may obtain a return on their investment as happy employees, equal happy customers.

5.2.4 Involve staff in solution design

Product differentiation in service-driven industries can be challenging due to the intangible nature of services. As banks introduce innovative customer solutions, these solutions are often pushed top down. Involving private banking staff in the inception stages of these solutions may present managers with diverse perspectives based on real customer interactions. This can be done by testing concepts with staff through friends of the program and enabling staff to experience first-hand what is being proposed before introducing them to customers. Staff will be able to account for their experiences and provide valuable data. This will ensure better buy-in where they feel their contribution is valued. Banks compete for the lucrative private bank market and cannot afford to lose the profitable base. Also, based on the results of this study, satisfied customers are less sensitive to price and thus happy when they pay where service is justified by value. This implies that banks need to price competitively and deliver the expected standard of service in order to keep customers satisfied.

5.2.5 Make service quality everyone’s responsibility

The study found service quality to be a strong predictor of customer satisfaction and customer retention. Aligned to create memorable service experiences, all staff serving and interacting with private bank customers must align with the set service standards. Where service breakdown occurs, staff need to be empowered to log and resolve complaints within the treating customers fairly (TFG) guidelines and the standards stipulated by the financial services conduct authority (FSCA). Sharing this view and responsibility with all employees will ensure they take their role in service quality with the seriousness it deserves. Customer complaints will thus be logged and resolved within the agreed turnaround times throughout the organization. Private banking and young professional customers will thus receive the fast and efficient service they crave from banks.

5.3 Contribution of the study

The study contributes to understanding the role that improved service quality plays in the satisfaction and retention of private bank customers, particularly young professionals. The theoretical findings of this study contribute to the existing knowledge of service quality and customer satisfaction theories. The theories were applied in interrogating the research problem and solving customer defection. Essentially, this study broadens knowledge on service quality and its mediating influence on customer satisfaction, customer retention, service experience and ultimately, customer lifetime value in private banking. Based on the overall empirical findings of the study, service quality is the strongest impact on customer satisfaction. This leads to customer retention, repurchase and the realization of the total value of private banking.

5.4 Limitations

This study concludes that service quality is a critical determinant of customer satisfaction and customer retention in private banking, specifically for young professionals. Improving service quality can benefit and elevate customer satisfaction and retention efforts positively. However, the legislation governing the sharing of personal information and confidentiality policies limited data collection from the sought population. The bank could not distribute the survey to the customers without exposing their email addresses. This would have compromised the confidentiality and confidentiality of the research.

The process of obtaining the bank's permission required approval from various stakeholders in the bank, including the head of research. The bank granted conditional approval, subject to the approval of the compliance officer. The approval was later rescinded, citing issues with the protection of customer information and the risk of association as the bank also employs the researcher. The risk is that customers would be unable to distinguish between academic and bank-sanctioned research. Additionally, information accuracy may pose a limitation considering the distribution of the online questionnaire via social networks and the sampling method applied. The survey could have been distributed to participants outside the target population area in Gauteng and might thus not be fully representative of the population.

The study was conducted in the private banking sector in South Africa and focused on the impact of service quality on customer satisfaction and retention. Therefore, its scope was limited in terms of coverage and depth owing to financial and time resources availability. Regarding area coverage, the research focus was limited to participants selected through snowball sampling in retail banks in South Africa targeting Gauteng. Although service quality affects all private banking customers, the study examined service quality as it impacts customer satisfaction and retention of young professional customers. Since service quality encompasses various issues and is multidimensional, the study focused exclusively on the selected measures, which are the five service quality dimensions. Thus, the study findings may not fully apply to other service sectors, nor can they be generalized to other industries. Further research can be carried out from different customers' perceptions of service quality dimensions to discover the impact on customer satisfaction and retention.

5.5 Future research

This study found service quality to positively impact customer satisfaction and retention and used service experience to obtain CLV. The study was limited to the five service quality dimensions that impact customer satisfaction and retention. The research did not consider other variables, such as employee competencies, loyalty and brand image. Amongst others, these could influence customer satisfaction and customer retention. A future study might consider other variables to capture customer lifetime value in view of service quality perceptions of private banking customers in South Africa.

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7. APPENDICES

Appendix 1: Research Instrument

CONSENT

1. I consent to participate in this research (Y/N)
2. I consent to my responses being used for academic purposes (Y/N)

Please answer the below questions honestly.

DEMOGRAPHICAL INFORMATION

1. What is your gender? Male, Female, Other?
2. What is your age? 18-25, 26-30, 30-35, above 35
3. What tertiary qualification do you hold? (Degree, Honours, Masters)
4. What Type of account do you have? (Private banking/ young professional account)
5. How long have you had your private banking young professional account? (Less than 1 year, 1-2 years, 3-5years, more than 6 years)
6. Do you have a dedicated private banker? (Y/N)
7. Which method do you prefer to use to interact with your bank? (Mobile Banking App, Internet Banking, email my Banker, Phone my banker, WhatsApp my banker, Meet my banker in person, Online meeting via Teams)

On a scale of 1 to 5, how would you rate the below?

- **1- Strongly Disagree**
- **2- Disagree**
- **3- Neither Agree nor Disagree**
- **4- Agree**
- **5- Strongly Agree**

SERVICE QUALITY

8. I am pleased with the overall service received from private banking.
9. The services offered by the bank are on par with other banks.

10. I am likely to increase the number of products held with the bank should the need arise.

Tangibles

11. Materials associated with the service (such as forms, brochures, statements etc.) are visually appealing.
12. The private bank staff are neat and presentable
13. The physical facilities of private banking are visually appealing.

Reliability

14. The services are performed within the promised time.
15. The banker addresses my requests accurately the first time.
16. The private banking team show sincere interest in helping me solve my queries

Responsiveness

17. The banker responds to my queries timeously.
18. Overall, I consider the bank's service to be excellent.
19. The private banker is always willing to help.

Assurance

20. I feel safe in my transactions with this bank.
21. The information provided by the private banker has always been very valuable to me.
22. My private banker assures me when there is a problem.

Empathy

23. My banker provides me with individual attention.

24. My banker considers my needs and aspirations
25. My banker is available at times convenient to me.

CUSTOMER SERVICE SATISFACTION

26. I am satisfied with the product and service range offered by my bank
27. Compared with other banks, the product and services offered by the bank are inadequate
28. The services offered by the bank meet my banking needs.
29. I am not satisfied with the level of service received from private banking

CUSTOMER RETENTION

30. I have a healthy relationship with my banker.
31. I have requested to switch bankers in the past.
32. I would upgrade from my current account package to a higher offering.
33. I know what I need to do to upgrade my account
34. I have been offered information on how to upgrade
35. I know when I am due to upgrade my account
36. I am not happy with the current service and would not upgrade
37. The price for the upgraded account is too high

SERVICE EXPERIENCE

38. I am content with the service I receive at all the bank touch points (ATM, IBR, App)
39. The services I receive are worth the price I pay for private banking
40. The fees I pay are high compared to the service I receive from private banking
41. I will use private banking services again in the future
42. My banker follows up with me after a sale or service
43. The team that supports my banker execute diligently
44. I have requested to close my bank accounts due to poor service

CUSTOMER LIFETIME VALUE

45. My first bank account was with my current bank
46. I hold multiple products with the bank and would not consider switching banks
47. I have had my private banking account for longer than three years
48. I belong to the bank’s rewards/ loyalty program

Appendix 2: Research Permission Letter

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG

OFFICE OF THE DEPUTY REGISTRAR

16 March 2022

Nyameka Phakathi
Student Number (2508951)
Master of Management
Wits Business School

TO WHOM IT MAY CONCERN

"Service quality, customer satisfaction and customer retention: A case of private banking in South Africa."

This letter serves to confirm that the above project has received permission to be conducted on University premises, and/or involving staff and/or students of the University as research participants. In undertaking this research, you agree to abide by all University regulations for conducting research on campus and to respect participants' rights to withdraw from participation at any time.

If you are conducting research on certain student cohorts, year groups or courses within specific Schools and within the teaching term, permission must be sought from Heads of School or individual academics.

Ethical clearance has been obtained. (Protocol number: H21/11/65)

Research Expiration: (25 January 2025)

Potgieter

Nicoleen Potgieter
University Deputy Registrar

Private Bag 3, WITS, 2050, South Africa | T +27 11 717 1204/8 | E nicoleen.potgieter@wits.ac.za | www.wits.ac.za
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Appendix 3: Ethics Approval

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG

Research Office

HUMAN RESEARCH ETHICS COMMITTEE (NON-MEDICAL)
R14/49 Phakathi

CLEARANCE CERTIFICATE	**PROTOCOL NUMBER: H21/11/65**
PROJECT TITLE	Service quality, customer satisfaction and customer retention: A case of private banking in South Africa
INVESTIGATOR(S)	Mrs N Phakathi
SCHOOL/DEPARTMENT	Wits Business School/
DATE CONSIDERED	26 November 2021
DECISION OF THE COMMITTEE	Approved Risk Level: Minimal
EXPIRY DATE	25 January 2025

DATE 26 January 2022 **CHAIRPERSON** ______________________
(Professor J Watermeyer)

cc: Supervisor : Dr F Saruchera

DECLARATION OF INVESTIGATOR(S)

To be completed in duplicate and **ONE COPY** returned to the Secretary at Room 10004, 10th Floor, Senate House, University. Unreported changes to the application may invalidate the clearance given by the HREC (Non-Medical)

I/We fully understand the conditions under which I am/we are authorized to carry out the abovementioned research and I/we guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I/we undertake to submit an amendment of the protocol to the Committee. **I agree to completion of a regular progress report. For Minimal and Low studies, this is due annually on 31 December. For Medium and High Risk studies, this is due twice annually on 30 June and 31 December.**

______________________ 27 / 01 / 2022
Signature **Date**

PLEASE QUOTE THE PROTOCOL NUMBER ON ALL ENQUIRIES

Appendix 4: Language-editing Memorandum

EDITING CONFIRMATION

To whom it may concern:

This memo serves to confirm that the manuscript/research project detailed below has been language-edited and/or proof-read.

Regards,

-IETS-

IET Innocent *(Cert. Lang. Ed.)*
Language Editor

****

Manuscript Title:

SERVICE QUALITY, CUSTOMER SATISFACTION AND CUSTOMER RETENTION: A CASE OF PRIVATE BANKING IN SOUTH AFRICA

Author:

Nyameka Phakathi

Issued on:

26/09/2022

Disclaimer:
The editor/proofreader makes no claim as to the accuracy of the manuscript contents nor the objectives of the author. While all possible efforts have been made to ensure the text as edited is readable and grammatically correct, the author(s) have the option to accept or reject suggestions and trackable changes made to the document before submission.

*** Professional Editors ***

sarchcot@gmail.com