

## **THE IMPACT OF SOCIAL MEDIA ON CUSTOMER SATISFACTION AND RETENTION IN THE BANKING INDUSTRY: VIEWS OF CLIENTS AND MANAGERS**

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### **ABSTRACT**

The South African banking industry is an important contributor to the country's economy. However, the industry is highly competitive and often faces challenges due to many developments, including technological advancements. The use of social media channels and the influence thereof on banks' performance have not yet been investigated. Therefore, the primary objective of this study is to identify how social media aspects (benefits, clients' trust and content) influence customer satisfaction and customer retention in the banking industry, from the perceptions of banking clients and managers. A questionnaire was used in an empirical investigation to gather the responses of 150 clients and 30 managers. Statistical analyses showed significant relationships between both benefits and trustworthy content and customer satisfaction, as well as between customer satisfaction and retention. This study's recommendations could assist banks to use social media channels in ways to increase customer satisfaction and retention. This may lead to more successful banks, ultimately contributing positively to the economy.

### **INTRODUCTION AND PROBLEM INVESTIGATED**

The banking industry plays an essential role in the economic growth of a country, by raising gross domestic product (GDP) growth and lowering the unemployment rate (Kumbirai and Webb, 2010: 30-31). An effective banking industry also helps a country's economy to grow by stimulating technological innovation, bridging the imbalance between the savings and investment needs of a country, offering funding to entrepreneurs who successfully implement innovative products and production processes, directing a country's scarce resources to the most profitable channels, and by identifying and funding productive investments (Abubakar and Gani, 2013: 48-49; Awdeh, 2012: 53; Vaithilingm, Nair and Samudram, 2006: 2).

Banks offer various banking products to clients (Chavan, 2013: 19). However, South African banks are faced with intense competitive pressure, high concentration and a rapidly changing business environment which makes it difficult for banks to gain strategic advantage through banking products alone (Rizan, Warokka and Listyawati, 2014: 2; Chigamba and Fatoki, 2011: 71). In particular, over the past few decades, technology has changed the way in which the banking industry operates (Adewoye and Omoregie, 2013: 2; Malhotra and Singh, 2009: 44).

The high concentration of banks in South Africa also makes it easy for clients to switch, therefore, signifying the need for banks to create more effective marketing campaigns which aim to satisfy and retain clients (Chigamba and Fatoki, 2011: 72). Customer satisfaction and customer retention is particularly important for service firms (Mohsan, Nawaz, Khan, Shaukat and Aslam, 2011: 263), including banks. Rizan *et al.* (2014: 2) agree and add that globalisation has intensified the challenges in the banking industry, compelling banks to recognise the importance of customer retention. In the

past, marketing efforts were focused on the completion of a transaction and attracting new clients (Rizan *et al.*, 2014: 1-2). However, it is clear that retaining a firm's existing clients is more profitable than attracting new ones (Du Plessis, 2010: 2-3; Kheng, Mahamad, Ramayah and Mosahab, 2010: 58; Gan, Cohen, Clemes and Chong, 2006: 83; Sim, Mak and Jones, 2006: 7). Therefore, firms increasingly need set strategies to measure and ensure customer retention (Mohsan *et al.*, 2011: 264).

Customer satisfaction and customer retention are based in the field of marketing (Khan, 2013: 11). The marketing process is used to determine which products or services would be of interest to the client (Assaad and Gómez, 2011: 15). To achieve marketing goals, service firms use the marketing mix or 7Ps (Yasanallah and Vahid, 2012: 195). Promotion is one of the elements of the 7Ps. Promotion is also commonly referred to as marketing communication (Masterton and Pickton, 2014: 473). Traditional marketing communication channels include television, newspaper, radio and magazine (Saravanakumar and SuganthaLakshmi, 2012: 4444; Assaad and Gómez, 2011: 18). However, recently social media has become the preferred communication channel for marketing communications (Clark and Melancon, 2013: 138; Muhammad and Abdul, 2012: 249).

Marketing, marketing communication, and marketing communication channels have rapidly developed and changed since the rise of the internet (Erragcha and Romdhane, 2014: 8). The technological and digital revolution has seen the emergence of the internet as a media delivery system, which has transformed the structure of media and communication throughout the world, as well as how people interact and how business is conducted (Bashar, Ahmad and Wasiq, 2012: 88; Kaul, 2012: 114-115). The rise of digital media has fundamentally changed the complex relationships between firms and clients, allowing firms to engage with clients online through social media (Kaul, 2012: 119; Assaad and Gómez, 2011: 13; Neti, 2011: 2).

Social media can be defined as the platforms that facilitate communication through a specific social media tool or channel (Neti, 2011: 2). The use of social media by firms is therefore a form of internet marketing, using technology and the internet to market a firm's products/services to the target market through social media channels (Baruah, 2012: 1; Bashar *et al.*, 2012: 88-89; Lekhanya, 2013: 2; Ramsaran-Fowdar and Fowdar, 2013: 74). Social media improves the marketing efforts of a firm by offering innovative ways to implement basic marketing programmes (Assaad and Gómez, 2011: 15). With the rise of social media, it has become increasingly important for firms, including banks, to attract and retain clients by effectively making use of social media.

Social media can be used to attract clients and escalate the customer satisfaction as well as the customer retention rate (Anjum, More and Ghouri, 2012: 100). Ramsaran-Fowdar and Fowdar (2013: 75-76) found that clients are spending much more time engaging with firms' internet marketing efforts, for example, to gather product information, view advertisements and purchase online (Baird and Parasnis, 2011: 9), than with any other marketing channel. However, the literature available on social media as a marketing channel is limited in comparison to the work available on other more established areas and channels of marketing (Clark and Melancon, 2013: 133). There is a need to assist firms, also those operating in the banking industry, with information which can facilitate successful marketing by using social media channels, thereby increasing customer satisfaction and customer retention (Chigamba and Fatoki, 2011: 71).

It has, therefore, become increasingly important for firms to investigate the perceptions on the use of social media in the banking industry. The problem statement of this study emphasises that it is necessary to determine the perceptions held regarding the use of social media by banks to communicate, interact and engage with clients, in order to increase customer satisfaction and customer retention of South African banking clients. If banking clients and managers' views regarding the use of social media by banks differ, specifically regarding how it is used to improve and ensure customer satisfaction and customer retention, banks could gain insight on the importance of social media aspects (by knowing what is important to clients) and how to better use social media channels.

## RESEARCH OBJECTIVES

The primary objective of this study is to identify how social media aspects (benefits, clients' trust and content) influence customer satisfaction and customer retention in the South African banking industry, from the perceptions of both banking clients and managers. By identifying the extent of relationships between social media aspects and customer satisfaction in the banking industry, it creates opportunities to positively influence customer retention in the industry. Through investigating the relationships and by identifying both the views of banking clients and managers, the study aims to determine whether banking clients and managers' views on banks' use of social media differ. With identified relationships and views from both groups of stakeholders the study aims to propose recommendations to banks on how to use social media to positively influence customer satisfaction and customer retention, which may ultimately increase profits and improve performance in the competitive industry.

## LITERATURE REVIEW

### The banking industry

South Africa is recognised as having the most sophisticated and developed financial system amongst emerging-market countries. Currently, the South African banking industry is comprised of 17 registered banks, two mutual banks, 14 local branches of foreign banks, two co-operative banks and 43 foreign banks with approved local representative offices (SA Banking Sector Overview, 2016). The four largest South African banks, as measured by market share, are ABSA, First National Bank (FNB), Nedbank and Standard Bank. Together these banks represent approximately 83% of total banking assets (South African Banking Sector Overview, 2014: 2-3). Standard Bank has a market share of 25%, followed by ABSA and FNB both at 20%. Nedbank has a market share of 17% (South African Banking Sector Overview, 2014: 2-3).

South Africa has a sound banking system, healthy contractual savings institutions, risk-spreading capabilities, high levels of liquidity and sophisticated financial markets (Du Plessis, 2010: 36). The South African banking industry is very competitive and continues to diversify its products and broaden its services within the context of international best practice (SA Banking Sector Overview, 2016). The financial services industry, of which the banking component is the most important (Stats SA, 2015; Awdeh, 2012: 54), contributes to the growth of a country's economy (Financial Services Sector Assessment Report, 2014: 6). In addition, the financial services industry provides employment for a wide array of specialised skills for a country's citizens (Financial Services Sector Assessment Report, 2014: 6,19).

However, despite the sound banking system and the importance of banks, the banking industry has experienced many changes in recent years due to changes in technology and globalisation (Agbolade, 2011:102; Scott and Arias, 2011: 209). South African banks face rising costs, increased competition and a rapidly changing business environment which may negatively impact their performance (Chigamba and Fatoki, 2011: 66; Kumbirai and Webb, 2010: 30). The highly concentrated and competitive South African banking industry makes it easy for clients to switch from one bank to another (Chigamba and Fatoki, 2011: 72). Most of the core products/services in retail banking are fairly generic, making it difficult to compete purely on this core service (Rizan *et al.*, 2014: 2,4). It is evident that South African banks face many challenges, making it difficult to remain competitive (Rizan *et al.*, 2014: 2-3; Chigamba and Fatoki, 2011: 71). Banks are therefore required to be more customer focused (Chigamba and Fatoki, 2011: 66). Customer satisfaction and customer retention are becoming more important marketing strategies than others in the business environment, especially in financial services (Rizan *et al.* 2014: 2; Mohsan, *et al.* 2011: 263).

## **Customer satisfaction and customer retention**

It is important for firms to satisfy and retain clients (Rahmani-Nejad, Firoozbakht and Taghipoor, 2014: 262-263). Other authors (Khan and Fasih, 2014: 331; Mohsan *et al.*, 2011: 263; Kheng *et al.*, 2010: 57) agree that enhancing customer satisfaction and customer retention are important factors in improving the performance of firms and determining their success.

Customer satisfaction occurs when clients can get more benefits from the firm than their cost of doing business with the firm, for example, the time, effort and money spent at a certain firm (Ganiyu, Uche and Elizabeth, 2012: 16). Customer satisfaction can therefore be defined as the clients' attitude or behaviour towards a firm, or an emotional reaction towards the difference between what clients expect and what they receive, regarding the fulfilment of some desire, need or goal by the firm (Mohsan *et al.*, 2011: 263).

Customer retention relates to the continuity of the business relations between the client and the firm (Khan, 2012: 107; Keiningham, Cooil, Aksoy, Andreassen and Weiner, 2007: 364). Customer retention can therefore be defined as the degree to which a client displays repeat purchasing behaviour towards a firm, possesses a positive attitudinal disposition towards the firm, and considers using only this firm when a need for this product/service exists (Kheng *et al.*, 2010: 58).

Higher levels of customer satisfaction and customer retention will differentiate firms and increase their competitive edge so as to ultimately improve performance (Rizan *et al.*, 2014: 2; Clark and Melancon, 2013: 138; Anjum *et al.*, 2012: 100; Muhammad and Abdul, 2012: 249; Assaad and Gómez, 2011: 21; Chigamba and Fatoki, 2011: 72). Many authors (Du Plessis, 2010: 2-3; Kheng *et al.*, 2010: 58; Gan *et al.*, 2006: 83; Sim *et al.*, 2006: 7) have emphasised the importance of customer satisfaction and customer retention to a firm's profitability and performance, as well as the many benefits a firm yields from retained clients. Retained clients are more profitable, with their profit rate also increasing over time (Du Plessis, 2010: 2-3; Berndt, Du Plessis, Klopper, Lubbe and Roberts-Lombard, 2009: 228-229; Kotler and Keller, 2006: 156; Sim *et al.*, 2006: 9). When client defections are decreased by 5%, the profits of a firm can increase between 25% and 85%, depending on the industry. According to Gan *et al.*, (2006: 84), the benefits of customer retention include an increase in the value of purchases; an increase in the number of purchases; the clients' better understanding of the firm and positive word-of-mouth promotion done by satisfied and retained clients.

As mentioned before, the banking industry is customer oriented and therefore depends on customer relationships to ensure the performance and profitability of the firm (Karim and Chowdhury, 2014: 1; Mohsan *et al.*, 2011: 263-264; Kheng *et al.*, 2010: 57). Improving customer satisfaction and customer retention is particularly important to the performance and profitability of banks (Karim and Chowdhury 2014: 1; Rizan *et al.*, 2014: 2; Mohsan *et al.*, 2011: 263-264). Karim and Chowdhury (2014: 4) as well as Khan and Fasih (2014: 331) also state that enhancing customer satisfaction and customer retention will lead to the success of banks by increasing their competitiveness, profitability and market share. The managers and marketers of banks should aim to nurture customer relationships as this will improve customer satisfaction and customer retention and, ultimately, increase the firm's profitability (Rizan *et al.*, 2014: 3-4). Social media is an important marketing tool and can be used to increase customer satisfaction and customer retention in the banking industry.

## Social media

The internet and e-commerce have had a tremendous impact on how firms operate and market their products/services (Bashar *et al.*, 2012: 88). Firms, including banks, need to create more effective marketing campaigns with the aim of attracting and retaining clients (Chigamba and Fatoki, 2011: 72). Various authors (Clark and Melancon, 2013: 132; Farooq and Jan, 2012: 627; Assaad and Gómez, 2011: 13-14, 18-19) believe that social media present a marketing opportunity that transcends the traditional marketing channels which allows firms to market products/services and connect with clients directly. The term social media can be defined as the use of web-based and mobile technologies to turn communication with other social media users, including a firm's clients, into an interactive dialogue (Lekhanya, 2013: 2; Ramsaran-Fowdar and Fowdar, 2013: 74; Baruah, 2012: 1; Bashar *et al.*, 2012: 88-89).

Social media marketing can be defined as the attempt to use social media channels to persuade clients that one's firm, products and/or services are worthwhile (Assaad and Gómez, 2011: 15; Neti, 2011: 3). The most popular social media channels include MySpace (started in 2003), LinkedIn (started in 2003), Facebook (started in 2004) and Twitter (started in 2006) (eBizMBA, 2015; Erragcha and Romdhane, 2014: 3-4; Baruah, 2012: 4).

Ramsaran-Fowdar and Fowdar (2013: 74) state that social media marketing is a useful tool to manage existing firm-client relationships while creating new ones, by facilitating online exchange, connection, and communication. This supports the assumption that social media channels can be used to increase customer satisfaction and customer retention. Anjum *et al.* (2012: 100) also believe that social media marketing is imperative for firms aiming to attract and retain clients. Other authors (Clark and Melancon, 2013: 138; Muhammad and Abdul, 2012: 249) have also found that the use of social media as a marketing tool increase customer satisfaction and customer retention.

It is therefore clear that banks need to identify how to effectively use social media channels to positively influence customer satisfaction and customer retention in the banking industry, to ultimately improve the performance of South African banks. It is hereby argued that the effective use of social media channels depends on various social media aspects. However, the social media aspects relevant to social media channels, possibly influencing customer satisfaction and customer retention in various industries including the banking industry, have not yet been identified. According to DeMers (2014), many marketers (firms) use social media channels, but 85% of these firms are unaware of which social media channels are the best to use. This shows that questions regarding to use of social media channels by firms remain unanswered. In an attempt to answer some of these questions, hereby following in this exploratory study are discussions which paves to way to argue that social media channels' benefits to clients, clients trust of firms' social media channels and the content of social media channels are aspects, amongst others beyond the scope of this study, which may influence customer satisfaction and retention.

It could be argued that clients are willing to interact with firms via social media channels if they believe it is to their benefit. Clients can benefit from interacting with firms on social media channels in many ways, including receiving discounts or coupons, purchasing products/services, viewing reviews and product ratings, accessing general and exclusive information, learning about new products/services, submitting opinions on products/services, accessing customer service, participating in events, feeling connected, submitting ideas for new products/services, and being part of a community (Hainer, 2015; Goi, 2014: 3; Ramsaran-Fowdar and Fowdar, 2013: 78-79; Anjum *et al.*, 2012: 100; Baird and Parasnis, 2011: 8,9; Hamid, Akhir and Cheng, n.d.). For the purpose of this study, the benefits that clients can obtain from social media will be referred to as 'benefits'.

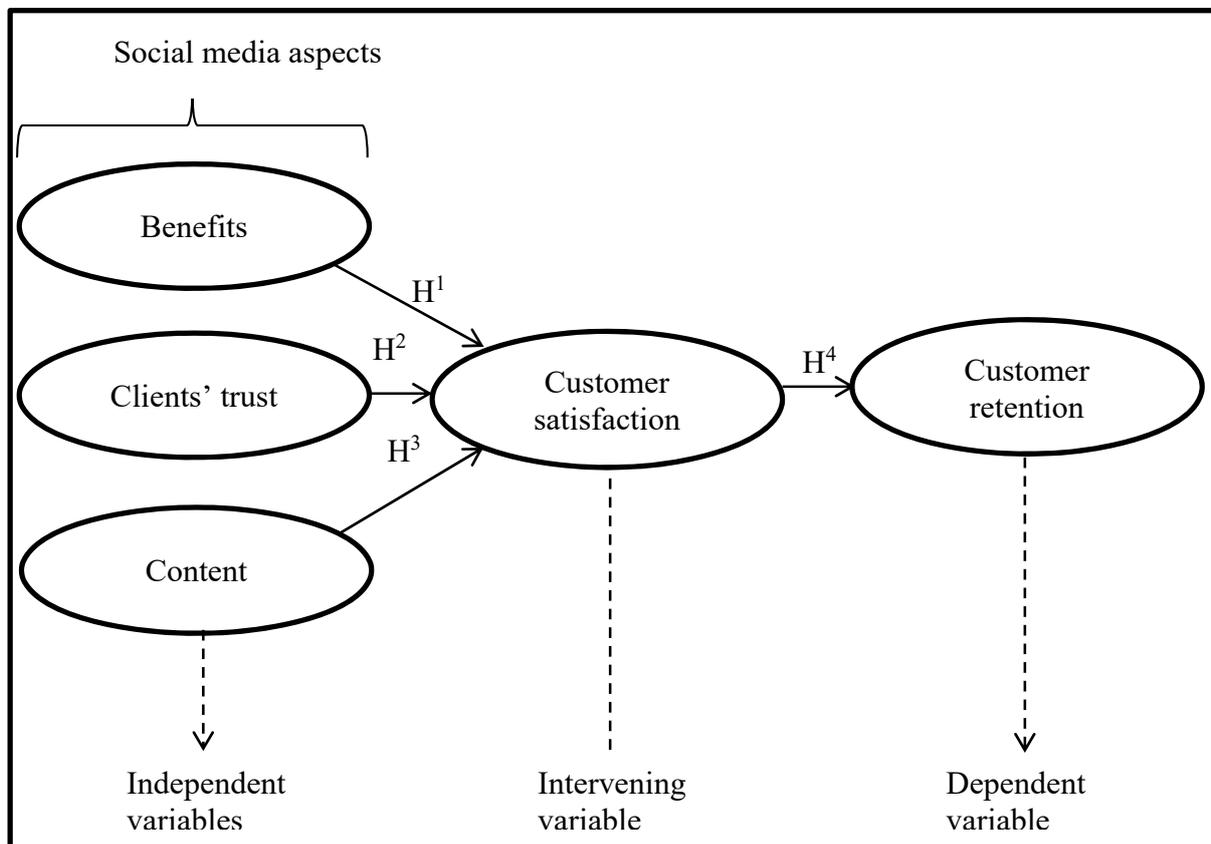
Clients are also willing to interact with firms via social media channels if they feel that they can trust the firm (Baird and Parasnis, 2011: 8). Trust is a necessary aspect in building and maintaining customer relationships, and is an essential component in developing customer retention for the firm (Rizan *et al.*, 2014: 4; Nguyen, Leclerc and LeBlanc, 2013: 96; Rai and Medha, 2013: 143-144; Taleghani, Gilaninia and Mousavian, 2011: 161; Akbar and Parvez, 2009: 26; Hamid *et al.*, n.d.). As customer retention is an outcome of trust in the firm it is imperative that firms understand the relationship between clients' perceived importance of social media and trust (Hamid *et al.*, n.d.). The trust clients have in the firm and the firm's social media channel will be referred to as 'clients' trust' for the purpose of this study.

The effectiveness of the use of social media channels is also influenced by the content, relevance and quality of the social media messages (Boohene, Agyapong and Gonu, 2013: 92; Bashar *et al.*, 2012: 89,97; Pradiptarini, 2011: 1). Posts and messages on the firm's social media sites should be on subjects that are relevant to the clients and something that they can relate to, in order to get them engaged and connected to the firm (Pradiptarini, 2011: 5). For the purpose of this study, the subject and content of a firm's social media channel will be referred to as 'content'. Following the above discussion, the benefits, clients' trust and content of firms' social media channels are important aspects that can possibly influence the customer satisfaction and customer retention of firms, including banks. The benefits, clients' trust and content of social media will be referred to as 'social media aspects' in this study, and consequently be used to develop hypotheses.

## RESEARCH HYPOTHESES

The hypothesised model in Figure 1 suggests significant positive relationships between the variables.

**FIGURE 1**  
**HYPOTHETICAL MODEL ON THE VARIABLES INFLUENCING**  
**CUSTOMER SATISFACTION AND CUSTOMER RETENTION**



## RESEARCH METHODOLOGY

The primary objective of this study is to identify how social media aspects (benefits, clients' trust and content) influence customer satisfaction and customer retention in the South African banking industry, from the perceptions of both banking clients and managers. To establish the theoretical basis for the study and to construct the hypothetical model an in-depth literature review was conducted. A quantitative research design was adopted for this exploratory study to test the relationships between benefits, clients' trust, content and customer satisfaction as well as customer retention. Appropriately, the quantitative research design was used in this study as hypotheses were statistically tested by gathering responses from large samples through a structured questionnaire (Struwig and Stead, 2013: 3-4).

The study's target population was all South African banking clients and bank managers. However, due to the study's geographic basis, the sample was narrowed to banking clients and managers residing in the Nelson Mandela Metropole. The required number of respondents was chosen on the ground of ratio observations by Swanson and Holton (2005: 129), Sprenkle and Piercy (2005: 396) as well as Nemati and Barko (2004: 197). This study has five variables and a minimum of five questionnaire items per variable was required. A minimum of five respondents per item was also required, and the multiplication of the five variables, with the five items per variable and five respondents per item, indicated a minimum of 125 (client) respondents required. For the purpose of this study, banking clients was considered as the main sample, as views from clients are required by banks in order to identify the social media aspects that clients regard as important for customer satisfaction and retention purposes. For comparative purposes, 30 bank manager respondents were set as the minimum requirement.

Prior to the questionnaire distribution, institutional ethics clearance was obtained. In addition, a pilot study was conducted among 10 banking clients to ensure the content validity of the questionnaire. Academic experts in the field of marketing were also asked to scrutinise the questionnaire prior to the main study. For the purpose of this study, non-probability sampling was used to draw the samples from the populations, as no sampling frames were available. Both criterion (Suri, 2011: 69) and snowball sampling (Struwig and Stead, 2013: 118) was used. Respondents were required to be a banking client or bank manager and live in the Nelson Mandela Metropole. Respondents were asked whether they met these two criteria prior to participation, on the first page of the questionnaire. For ease of access and distribution, an online questionnaire was used. In addition, as part of snowball sampling, respondents were asked to forward the electronic questionnaire link to other potential respondents whom meet the criteria. Client and manager questionnaire contained the same statements. Client questionnaires' indicated that statements should be responded too based on the "MAIN bank" they use for banking products/services. Manager questionnaires' stipulated that respondents complete the questionnaire statements based on the bank they "are currently employed at". The content of the statements was similar in client and managers questionnaires.

The two-part questionnaire was in English and self-administered by clients and managers. Section A consisted of statements related to the independent variables (social media aspects: benefits, clients' trust and content), the intervening variable (customer satisfaction) and the dependent variable (customer retention). Table 1 shows the definitions, as constructed from the literature overview, and the number of items in Section A relating to each variable, for the purposes of this study. Section A consisted of 69 items related to the five specified variables.

**TABLE 1**  
**DEFINITIONS AND NUMBER OF ITEMS FOR THE**  
**INDEPENDENT, INTERVENING AND DEPENDENT VARIABLES**

<b>INDEPENDENT VARIABLE: BENEFITS</b>	<b>ITEMS</b>
Benefits refers to the various tangible and intangible advantages clients receive from engaging with a bank's social media channels.	15
<b>INDEPENDENT VARIABLE: CLIENTS' TRUST</b>	<b>ITEMS</b>
Clients' trust refers to the degree to which clients believe in the reliability and integrity of the bank's social media channels.	13
<b>INDEPENDENT VARIABLE: CONTENT</b>	<b>ITEMS</b>
Content refers to the composition and quality of subject matter of a bank's social media channels.	13
<b>INTERVENING VARIABLE: CUSTOMER SATISFACTION</b>	<b>ITEMS</b>
Customer satisfaction refers to the client's level of contentment with the bank's products/services.	17
<b>DEPENDENT VARIABLE: CUSTOMER RETENTION</b>	<b>ITEMS</b>
Customer retention refers to the continuity of the relations between the clients and a bank, which results in many benefits for both parties.	11

Section A made use of a five-point Likert-type scale (Burns and Burns, 2008: 473) where the respondents had to indicate the extent to which they agreed or disagreed with the statements, based on their perceptions. A five-point Likert-type scale was used, with the response options ranging from "strongly disagree" to "strongly agree" on a scale of 1 to 5. The self-developed items were based on the operationalisation of the variables, as conceptualised from the literature overview. Section B focused on gathering biographical and demographical data related to each respondent's age, gender, population group, education level and the social media channels they use.

Microsoft Excel was used for electronic data collection and data cleaning. Thereafter, Statistica 12 was used for the statistical data analysis. Descriptive statistics such as means, standard deviations and frequencies were used to summarise, organise and simplify the data relating to the respondents' demographic information (Beins and McCarthy, 2012: 106; Gravetter and Wallnau, 2012: 11:62). Secondly, to determine the measuring instrument's construct validity an Exploratory Factor Analysis (EFA) was performed (Zikmund, Babin, Carr, and Griffin, 2010: 593). Items with factor loadings of at least 0.4 were considered as valid (Hair, Black, Babin and Anderson, 2014: 115). An EFA was deemed appropriate as items were self-developed, based on variable operationalised from the literature overview. Thirdly, Cronbach's Alpha correlation coefficients were calculated to measure the internal consistency or reliability of the research instrument (Saunders, Lewis and Thornhill, 2009: 374), with 0.7 coefficients regarded as reliable (Hair *et al.*, 2014: 123). Although individual Cronbach's Alphas were calculated for each statement (and all statements obtained Cronbach's Alphas higher than 0.7), following the EFA results, a Cronbach's Alpha for each valid factor were calculated to determine the measuring instrument's reliability, and these are hereby reported on. Fourthly, Pearson's product-moment correlation coefficients were calculated to determine whether links or associations exist between independent, intervening and dependent variables (Lind, Marchal and Wathen, 2012: 463; Zikmund *et al.*, 2010: 559). In the fifth step, to confirm the results of the

Pearson correlation coefficients, a multiple regression analysis was performed. The multiple regression analysis analysed the relationships between the independent, intervening and dependent variables (Hair *et al.*, 2014: 157), and consequently the hypotheses were evaluated following the multiple regression analysis.

## **EMPIRICAL RESULTS AND DISCUSSION**

### **Sample description**

At the closing date of the online questionnaire, 150 usable questionnaires were completed by banking clients and 30 usable questionnaires were completed by bank managers.

The majority of the client respondents were female (50.67%), while 49.33 per cent were male. Most of the respondents were from the White population group (49.33%), followed by the Coloured (26.67%) and Black (20%) population groups. The majority of the respondents were between the ages of 20 and 29 (73.33%), and those younger than 20 years of age (11.33%). The majority were students at tertiary institutions (68.67%). A number of respondents were employed permanently (12.67%) and 10.67 per cent were self-employed. Regarding the education level, most of the respondents have a Grade 12 qualification (43.33%), followed by 19.33 per cent who possess an undergraduate degree. FNB was the main bank used by the majority of the respondents (29.33%), followed by Standard Bank (25.33%), ABSA (20%) and Nedbank (15.33%).

Most of the manager respondents were male (56.67%) and from the White population group (70.00%), followed by the Black (26.67%) population group. The majority of the manager respondents were between the ages of 40 and 49 years (36.67%) as well as between 50 and 59 years (26.67%). Regarding the job titles, branch managers made up the majority (33.33%) of the respondents. In addition, respondents were regional managers (16.67%) and client service managers (13.33%). An equal percentage of respondents had a certificate (20.00%) and an undergraduate degree (20.00%), followed by an equal percentage of respondents with a postgraduate diploma (16.67%) and a postgraduate degree (16.67%). The vast majority of respondents were employed by FNB (76.67%).

Banking clients and bank managers differed with regards to the social media channels banks should use to communicate, interact, and engage with clients. Facebook was found to be the most popular social media channel, with 68.5 per cent of the client respondents being Facebook users. Media sharing sites (38.00%) were the second most popular social media channel, followed by Twitter (30.00%). With regard to the use of the social media channels of their main bank, 45.50 per cent of the client respondents engage with their bank on Facebook, whereas small percentages use blogs (2.50%) and LinkedIn (2.00%) to interact with their banks. With regard to the social media channels of the banks, 66.67 per cent of the bank managers use their employer bank's Facebook page. LinkedIn is the second most popular social media channel (50%) amongst bank managers.

### **Validity and reliability results**

In the EFA, items which had loadings below 0.4 or which cross-loaded were disregarded for further analysis. The EFA results show that the analysis resulted in four factors instead of five as originally indicated in the hypothesised model.

Eleven of the fifteen statements that were developed to measure the variable *Benefits* loaded onto one factor, and therefore this factor was named benefits. The 11 items that loaded onto *Benefits* explain 14.890% of the variance in the data. Factor loadings ranged from 0.451 to 0.893 and the factor benefits returned a Cronbach's Alpha correlation coefficient score of 0.90.

Thirteen statements were developed to measure client's trust and 13 statements were developed to measure content. Thirteen and 12 of these items, respectively, loaded onto one factor. The reason why items from the original clients' trust and content factors loaded together onto a single factor might be because the respondents regarded their trust of and the content of social media channels to be highly related, and that the content of social media channels could influence their trust levels thereof. In

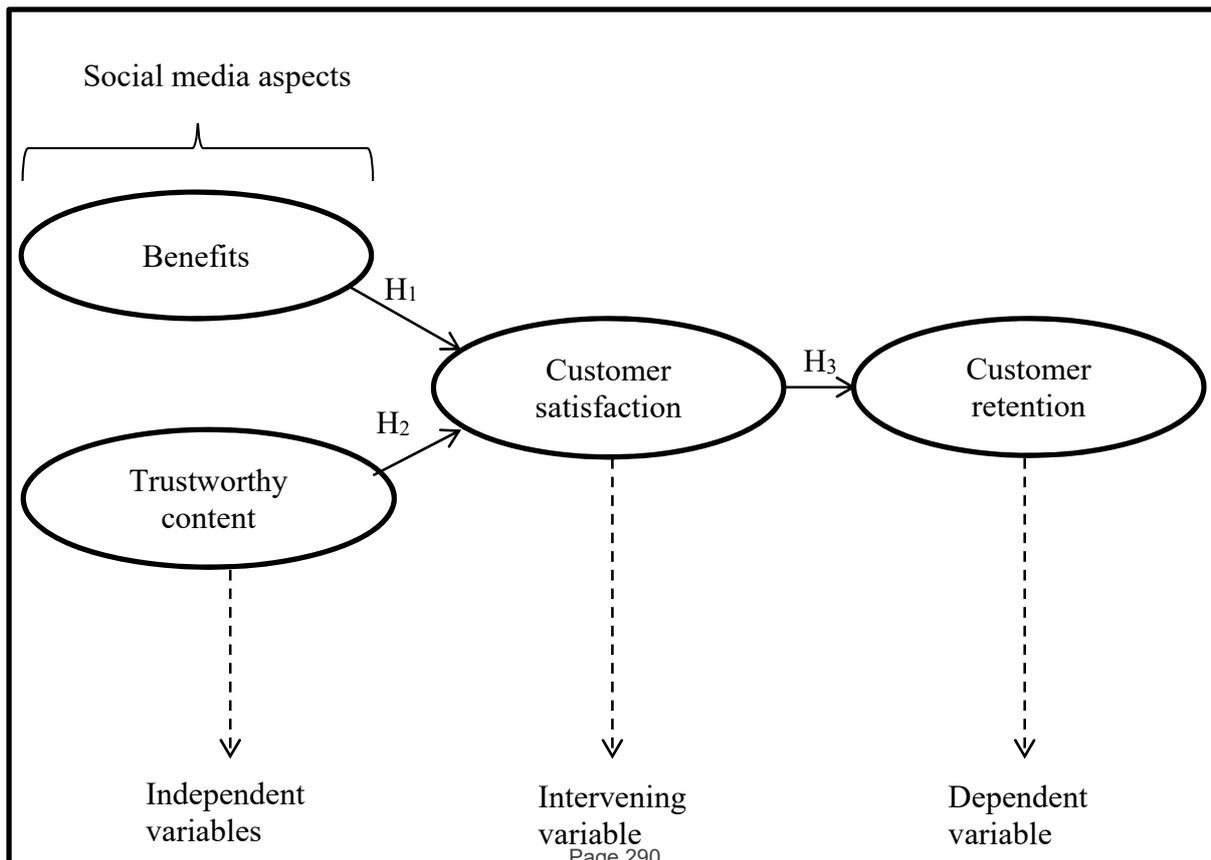
addition, two items originally developed to measure benefits loaded onto this factor. Based on these loadings, this factor was renamed *Trustworthy content*. This new factor was defined as clients' belief in the reliability and integrity of the composition as well as quality of subject matter of a bank's social media channels. The *Trustworthy content* items explain 40.420% of the variance of the data. Factor loadings ranged from 0.401 to 0.879. The reliability analysis revealed a Cronbach's Alpha correlation coefficient of 0.97 for the factor.

The items loaded, as expected, onto two separate factors for the intervening and dependent variables. Seventeen statements were developed to measure the variable customer satisfaction and 16 of these items loaded onto a single factor. In addition, two items originally developed to measure customer retention also loaded onto the same factor. As the overwhelming number of items related to customer satisfaction, this factor was labelled *Customer satisfaction*. The items explain 36.12% of the variance in the data. The factor's loadings ranged from 0.435 to 0.907 and the Cronbach's Alpha correlation coefficient was 0.95. To measure the variable customer retention, eleven statements were developed. Eight of these items loaded onto a single factor and therefore the factor was named *Customer retention*. The customer retention items explain 18.18% of the variance in the data. *Customer retention* factor loadings ranged from 0.560 to 0.993 and the Cronbach's Alpha correlation coefficient was 0.93.

It is evident from the EFA and Cronbach's alpha coefficients that the validity and reliability of the measuring instrument could be confirmed. However, the factors resulting from the EFA led to revised hypotheses and a modified hypothetical model (see Figure 2):

- H<sup>1</sup> – There is a significant positive relationship between the Benefits of social media channels and Customer satisfaction.
- H<sup>2</sup> – There is a significant positive relationship between the Trustworthy content of social media channels and Customer satisfaction.
- H<sup>3</sup> – There is a significant positive relationship between Customer satisfaction and Customer retention.

**FIGURE 2**  
**REVISED HYPOTHETICAL MODEL ON THE VARIABLES INFLUENCING**  
**CUSTOMER SATISFACTION AND CUSTOMER RETENTION**



## Descriptive statistics of variables

The descriptive statistics of the variables are summarised in Table 2.

**TABLE 2**  
**DESCRIPTIVE STATISTICS OF THE INDEPENDENT, INTERVENING AND**  
**DEPENDENT VARIABLES BASED ON THE CLIENT RESPONSES**

Variable	Mean	Std Dev	Disagree	Neutral	Agree
Benefits	2.593	0.930	41.33%	46.00%	12.67%
Trustworthy content	3.500	0.895	12.00%	39.33%	48.67%
Customer satisfaction	3.609	0.817	10.00%	38.00%	52.00%
Customer retention	3.301	0.907	13.33%	56.67%	30.00%

The factor *Customer satisfaction* returned the highest mean score of 3.609, with the majority of client respondents agreeing that they are content with their banks' products/services. It is interesting to note that most clients (52.00%) agreed to being satisfied with their bank, but most clients (56.57%) are only in moderate agreement that they will be retained by their bank. It is therefore evident that the customer satisfaction levels of banks' clients are high, whereas their customer retention levels are slightly lower. This means that some clients might not remain loyal to their bank, and will move to another bank if they regard the alternative bank to offer them better products/services. All means, excluding the mean for *Benefits*, ranged from 3.301 (*Customer retention*) to 3.609 (*Customer satisfaction*), which shows that respondents were mainly in agreement with the questionnaire items. Thus, clients currently regard the social media channels of banks as having trustworthy content, and most clients are satisfied and will possibly be retained by their current bank. However, the mean for *Benefits* was the lowest at 2.593. This shows that 41.33% of the clients indicated a low level of agreement regarding interacting with their bank on social media channels in order to obtain benefits. The factor *Benefits* also returned the highest standard deviation score of 0.930, which indicates that clients mostly differed regarding their perceptions of benefits. Overall, the standard deviations were small and this shows that responses were closely knitted together.

The manager results also showed that the most varied responses among managers were on the *Benefits* clients could receive from using banks' social media channels (standard deviation of 0.810). In addition, the views on *Benefits* differed between clients and managers. Based on manager responses, the mean for *Benefits* was 3.694. This mean showed that over 96% of managers had a medium to high level of agreement that clients receive benefits from banks' social media channels. However, as mentioned before, clients disagree with this occurrence. *Trustworthy content* returned the highest mean of 4.130, with the vast majority (83.33%) of manager respondents agreeing that trustworthy content is an important social media aspect and that banks' social media channels do display accurate and reliable information. Regarding *Customer retention*, there is a perception gap, or difference in perceptions, between clients and managers. The majority of managers believe that clients will be retained by their bank (shown by a mean of 3.775 for *Customer retention*), whereas, as mentioned before, the majority of clients are only in moderate agreement that they will be retained by their bank. In addition, when the variable descriptive statistics of the clients and managers were compared with Cramer's V tests, it was found that the variable *Benefits* scored a Cramer's V score of 0.40. This indicates a perception gap of medium practical significance. Clearly clients and managers have different perceptions regarding the *Benefits* that clients can receive from interacting with banks on their social media channels.

## Relationships between variables

Based on the clients' responses, it is evident from the Pearson's product-moment correlation coefficients that positive correlations exist between all the variables used in the study. Therefore, any increase/improvement in any one of the variables will have a positive influence on any other variable. The strongest positive correlation is reported between *Trustworthy content* and *Customer satisfaction* (0.807) and the weakest correlation, although still positive, between *Benefits* and *Customer*

*satisfaction* (0.112). This shows that the content of banks' social media channels are the most strongly linked with clients' satisfaction levels.

However, to confirm the Pearson correlation results and to identify whether relationships are significant, multiple regression analyses were performed. The results of the multiple regression analyses are provided in Tables 3 and 4.

**TABLE 3**  
**THE MULTIPLE REGRESSION RESULTS FOR CUSTOMER SATISFACTION**

<b>Regression Summary for Intervening Variable: Customer satisfaction</b>			
<b>R<sup>2</sup> = 0.66</b>			
<b>N = 150</b>	<b>Beta</b>	<b>t-value</b>	<b>p-value</b>
<b>Benefits</b>	-0.105	-2.402	<b>0.018</b>
<b>Trustworthy content</b>	0.767	16.898	<b>0.000</b>

From Table 3 it is clear that there are statistically significant positive relationships between both independent variables, namely *Benefits* ( $p < 0.05$ ), as well as *Trustworthy content* ( $p < 0.001$ ) and the intervening variable *Customer satisfaction*. In other words, clients suggests that if clients are offered certain benefits for engaging with banks on their social media channels, customer satisfaction is likely to increase. In addition, if banks provide reliable, quality subject matter on their social media channels, customer satisfaction is likely to increase.

**TABLE 4**  
**THE MULTIPLE REGRESSION RESULTS FOR CUSTOMER RETENTION**

<b>Regression Summary for Dependent Variable: Customer retention</b>			
<b>R<sup>2</sup> = 0.38</b>			
<b>N = 150</b>	<b>Beta</b>	<b>t-value</b>	<b>p-value</b>
<b>Customer satisfaction</b>	0.686	9.569	<b>0.000</b>

Table 4 provides evidence that a significant positive relationship ( $p < 0.001$ ) exists between *Customer satisfaction* and *Customer retention*. This means that if banks increase their clients' levels of customer satisfaction, customer retention is expected to increase.

Based on the multiple regression results all three hypotheses ( $H_1$ ,  $H_2$  and  $H_3$ ) are accepted, as significant positive relationships were found between each of these independent variables (*Benefits* and *Trustworthy content*) and the intervening variable (*Customer satisfaction*) as well as between the intervening variable and the dependent variable (*Customer retention*).

## **CONCLUSIONS, MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

The primary objective of this study is to identify how social media aspects (benefits, clients' trust and content) influence customer satisfaction and customer retention in the South African banking industry, from the perceptions of both banking clients and managers. The main empirical results showed revised factors, and consequently indicated a significant positive relationship between *Benefits* and *Customer satisfaction* as well as between *Trustworthy content* and *Customer satisfaction*. In addition, a significant positive relationship was established between *Customer satisfaction* and *Customer retention*. Based on these results, some practical recommendations can be provided to banks on how to use their social media channels in ways to increase customer satisfaction and customer retention.

Benefits showed a significant positive relationship with customer satisfaction. This suggests that if clients are able to obtain certain benefits from interacting with their banks on social media channels, clients are likely to be satisfied with their banks' products/services. Therefore, social media benefits

can improve customer satisfaction in the banking industry. The following recommendations have been prepared, relating to Benefits:

- Banks should offer benefits with tangible value to clients who interact with the bank on social media channels, such as discounts or rewards in the form of points. For example, when a client comments on a bank's post on their Facebook page regarding a new banking product/service, the bank could reward the client with loyalty points. These points could be redeemed by the client for certain purchases at specified retailers.
- Banks should offer clients the convenience of online banking, where clients can make online purchases and check their balances through their banks' social media channels.
- Banks should allow clients to post reviews about the banks' products/services as well as rate the banks' products/services on social media channels. This will assist other clients when choosing products/services and it will allow the bank to gain insight into the needs and expectations of clients, in order to meet these needs better in the future.
- Banks should use their social media channels as customer service channels, allowing clients to submit queries, share opinions and provide feedback to the bank via social media channels. Banks should have a well-informed team managing incoming communications in a positive, direct manner.
- Banks should host competitions on their social media channels. This stimulates interaction between clients and the bank, thus making clients feel that they are part of a community.
- Banks must supply the latest banking information to their clients on social media channels, thus benefitting clients who interact with their bank on social media channels.
- Banking clients and bank managers' views differed regarding the benefits clients receive from banks' social media channels. Banks should be aware of the specific benefits clients require when using banks' social media channels. The implementation of these benefits, which relates to banking product/service offerings, could improve customer satisfaction levels.

The trustworthy content of banks' social media channels was also found to significantly influence customer satisfaction. In terms of ensuring trustworthy content on their social media channels, banks should:

- Banks' social media channels should allow clients to directly interact with their bank, for example, by sending a direct message on Facebook or tweet the bank on Twitter. Banks should have dedicated employees monitoring the social media channels of the bank; these employees should react to client comments, queries and suggestions within a short space of time.
- Banks need to offer secure transactions and protect clients' information on the banks' social media channels, for example, with security and privacy settings.
- Banks must offer quality services as well as show respect to clients on social media channels. For example, when there is an intermittent network connectivity issue on a bank's online facilities, the bank could tweet an apology for the inconvenience, informing clients that the problem is being investigated, and further informing clients when the issue has been resolved. In addition, banks could post encouraging messages on their social media channels during certain religious holidays, festivals, feasts or seasons. This will ensure that clients feel valued and respected, which will ensure that they remain satisfied.
- Banks' social media channels should be vivid, and include text, images and videos. A bank's Facebook page could, for example, have links to videos of the bank's products/services in order to invite and/or convince clients to make use of more products/services from their bank. Another example could be how-to tutorials for online banking.
- Banks' social media channels should allow interactivity with the bank and with other clients. For example, banks can post banking related questions on their Facebook page, encouraging clients to respond by commenting on the post and by conversing with other clients.

- Banks' social media channels should allow clients to easily access quality information. Information should be accurate, relevant and interesting to clients. For example, short and relevant financial and banking tips could be posted on the banks' Twitter feed.
- Banks should continuously load new, dynamic and compelling content onto their social media channels, such as current news on the banking industry and the economic state of the country.
- Banks' social media channels should provide expert opinions on banking matters, such as savings tips and investment options.
- Clients should be able to opt out of receiving marketing information at any time, such as 'unliking' the banks' Facebook page or unfollowing the bank on Twitter.

If a bank satisfies their clients' needs and expectations, it can improve customer retention in the banking industry. This means that banks with satisfied clients would more easily retain their existing clients, and the risk of clients switching to competitors would decrease. Banks are therefore advised to consider the following recommendations aiming to increase customer satisfaction and customer retention, specifically through the more effective use of its social media channels:

- Banks must build and maintain long lasting relationships with clients through the benefits and trustworthy content offered to clients on the banks' social media channels.
- Banks must provide transaction details and statements regularly to clients through social media channels. Banks can do this by sending notifications to clients through Facebook, to notify clients of their transactions and bank statements. Clients can then open the notification which could be a link to the bank's secure website where this information can be viewed. Similarly, banks can allow clients to tweet to them in order to retrieve information on their accounts.
- Banks must make use of customer satisfaction surveys on their social media channels. For example, a link to a short customer satisfaction survey could be posted on a bank's Twitter page and clients could be encouraged to complete the online survey.
- Banks must offer technical support through their social media channels. For example, clients can send a direct message to their bank on Facebook when they experience technical difficulties on the banks' websites while conducting banking transactions online.
- Banking clients and bank managers' views regarding the customer retention levels of clients differed. Banks should be aware of the switching rate of clients, the conditions that encourage clients to switch, and ensure that possible strategies are in place to reduce switching. These strategies could be identified through continuous dialogue with clients.

In general, the study also revealed that, according to managers, LinkedIn is one of the best social media channels to use to interact with clients. However, clients prefer Facebook, media sharing sites and Twitter as the social media channels banks should use to interact with them. Therefore, it is recommended that banks rather use Facebook and Twitter to communicate and interact with clients.

## **LIMITATIONS AND FUTURE RESEARCH**

Although the study's measuring instrument was proven valid and reliable, the sample size consisted of only 150 bank clients and 30 bank managers in the Nelson Mandela Metropolitan area. Therefore, generalisations cannot be made from the research results as the sample size does not represent the entire population. For future research, the sample could be expanded to include other metropolitan areas in South Africa. Bank managers were also difficult to contact and many were hesitant and unwilling to participate in the study or to disclose information.

This study focused on three independent variables, namely, benefits, clients' trust and content. Furthermore, this study also focused on a predetermined intervening variable, namely customer satisfaction. Customer satisfaction explained 36.12% of the total variation in the dependent variable customer retention. Therefore, future research can possibly include other independent and intervening variables. Other possible intervening variables are, for example, competitive advantage, customer

value, corporate image, level of involvement, attraction of alternatives and service quality (Karim and Chowdhury, 2014: 5; Boohene *et al.*, 2013: 83; Nguyen *et al.*, 2013: 97; Gan *et al.*, 2006: 86).

## CONCLUSION

Despite these limitations, this study has made a substantial contribution in gathering perceptions on the use of social media, and identifying the influence of social media aspects in the banking industry from both clients' and managers' perspectives, specifically in relation to customer satisfaction and customer retention. In addition, a main contribution is the differences in perceptions of clients and managers that were highlighted. Mainly, banking clients and managers differed on the benefits banking clients receive when using banks' social media channels, and the current customer retention levels of banking clients. The knowledge on these differences could be used to better align the expectations of clients with the products/services banks offer. This study's collection of practical recommendations on banks' social media channels' benefits, trustworthy content, as well as ideas for improvement in customer satisfaction and customer retention levels should be implemented by banks. Once implemented, these recommendations will increase the customer satisfaction and customer retention of banks through the more effective use of social media channels. This may ultimately lead to more successful banks, contributing to the South African economy.

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