

## **EVALUATING CUSTOMER SATISFACTION IN BANKING SERVICES**

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**Abstract.** *New, competitive market conditions, where companies need to fight for their survival, rendered evident that building and managing relationships with customers is vital. At the basis of every long term relationship lies the customer satisfaction. In the service area the construct of satisfaction is bound to the interaction with the service provider, conferring to the evaluation even greater importance.*

*This paper offers an approach to the customer satisfaction evaluation in the banking services, with focus on a Romanian bank.*

**Keywords:** banking services, customer relationship management, customer satisfaction, relationship marketing.

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## 1. Introduction

In the globalized, highly competitive environment, building more unique relationships with customers is vital for companies (Lindgreen, et al., 2006). Conducted research points out that companies regard the implementation of customer relationship management (CRM) as a factor that will allow them to survive in the new market conditions, favoring the relationship with their customers (Mendoza, et al., 2007). Already successful implementation projects of (CRM) not only provide proof for the concept but have also created important competitive advantage (Kotorov, 2003). In consequence rival companies are pushed to do the same.

When building relationships with customers, satisfaction represents the foundation. Based on it, customer loyalty can be build in order to develop a „stable, mutually profitable and long-term relationship” (Ravald, Grönroos, 1996).

Evaluating customer satisfaction has become „increasingly popular in the last two decades” (Eggert, Ulaga, 2002) and brings thus important revenues for market research companies. This popularity derives from the acceptance, that the satisfaction construct is a predictor for repurchase intentions, word-of-mouth and loyalty. As Ravald and Grönroos point out (Ravald, Grönroos, 1996), customer satisfaction is a better predictor of intentions to rebuy than service quality. Satisfied customers are considered to maintain contact with the company, buy more products or services and buy more often. Peyton et al. (Peyton, et al., 2003) add the likelihood of acceptance of other products in the product line and the favorable word-of-mouth.

The way customers develop the feeling of satisfaction is commonly explained by the confirmation/disconfirmation paradigm (Cadotte, et al., 1987; Eggert, Ulaga, 2002). At a specific moment in time the customers makes the choice to buy a product or a service. The perception of the product’s performance leads to a comparison process – perceived performance is compared with one or more standards, such as expectations. There are three outcome possibilities: confirmation, positive disconfirmation and negative disconfirmation. If the perceived performance meets the standard the results is a neutral feeling of satisfaction. The customer is also satisfied if the performance exceeds his/her standard, the case of positive disconfirmation. Performance worse than the standard creates negative disconfirmation and thus dissatisfaction.

Although the literature agrees on the confirmation/disconfirmation paradigm, the very nature of satisfaction is still on debate. Research primarily focused on cognition – the comparison process against a standard. On the other hand, the feeling of satisfaction is corresponds to an affective state of mind. There also exists the perception of satisfaction as a result of a simultaneously emotional and cognitive process (Clerfeuille, et al., 2008). Garbarino and Johnson (Garbarino, Johnson, 1999) describe satisfaction as „either an immediate post-purchase evaluative judgment or an emotional reaction to the firm used for the most recent transaction”. The same perspective is used in this paper.

## **2. Satisfaction in the banking services context**

In contrast to products, customers are not really able to evaluate services before the service process takes place. The interaction with the service provider and the customers, the so called service encounter, is the key in the evaluation of service performance (Gil, 2008). During these encounters, the customer is able to get an impression of the way the company provides its services. His/her service experience is defined by the interaction with the organization, the processes and the employees. Accordingly, customer satisfaction is built upon the basis of service encounters.

Service providers have significant opportunities to manage the interactions that together form the experience (Wirtz, 1994). They can design and the interactive production process; select, train and manage service employees; design and maintain the service environment; selectively target, socialize and educate customers.

In banking services, satisfaction is usually conceptualized as a multidimensional construct (Manrai, L.A., Manrai, A.K., 2007). The list of bank service attributes used for the measurement of satisfaction comprises elements like: appearance of the facility, attitude and behavior of staff, decor and atmosphere, business hours, interest rate, waiting time. Bank customers may regard some of these elements as being not equally important as the others.

## **3. Evaluating customer satisfaction**

Following, the paper presents a survey conducted in the spring of 2009 with the aim of evaluating the customers' satisfaction for a Romanian bank.

### **3.1. The survey**

The objective was to determine the satisfaction level of the customers of a specific Romanian bank. The survey represents a qualitative research and was based on a questionnaire. Consequently primary data was collected.

Responses were gathered from 50 retail clients of a Bucharest branch of a small Romanian bank. The response clients were aleatory interviewed, face to face, on their way out of the bank. Their age ranges between 18 and 60 years. Two weeks in the spring of 2009 represent the time span of the survey: 30.03. - 10.04.2009.

Based on the multidimensional satisfaction construct and literature on the subject, a list of attributes was compiled:

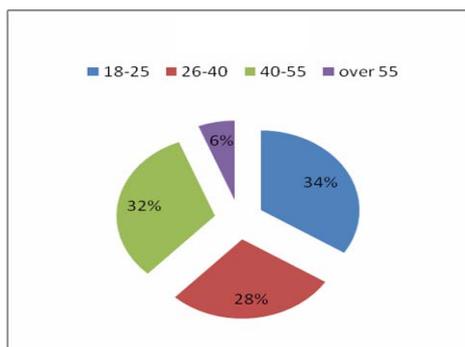
- attitude and behavior of staff,
- execution time,
- accessibility of the offices,
- price/quality relation (price was used to include both interests and charges),

- banks reaction to complaints,
- promotion of services,
- communication with the bank (via telephone, fax, internet),
- business hours.

In order to have grounds for comparison the customers were also asked to rank their overall satisfaction with the bank. They also stated their average waiting time and how often they usually use banking services.

### **3.2. The results**

The demographic data shows that 34% of the respondents are between 18 and 25 years old, 28% between 26 and 40 years old, 32% between 40 and 55 years old and 6% are older than 55 years (Figure 1). The large number of young customers is consistent with the banks recent effort to attract and retain customers from the young segment. The income shares are distributed from 14% for customers with less than 500 lei income to 12% for customers with more than 2.000 Lei income (Figure 2).



**Figure 1. Age of the respondents**



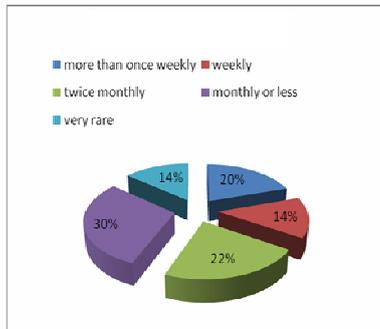
**Figure 2. Income of the respondents**

The frequency of use for the banking services (Figure 3) reveals that 34% interact regularly with the bank, 50% use banking services once or twice a month, 14% declared they only rarely use banking services. 60% of the respondents declared themselves to be very satisfied or satisfied (Figure 4). The relatively large number of indecided answers (36%) draws the attention to one of the problems that may surface with the rating scales – respondents often tend to choose the “middle way” instead of deciding upon one side or the other.

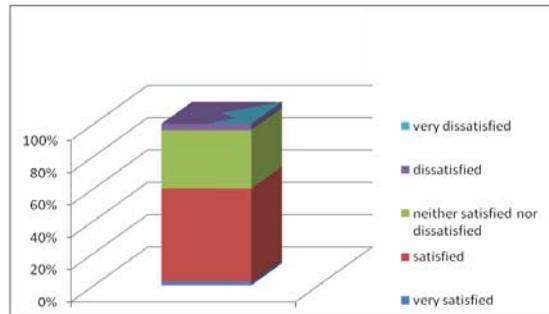
In order to assess the satisfaction in relation to the banks personnel four attributes were used. The customers were asked to state their satisfaction level regarding the staff’s attention, professionalism, understanding of their needs and politeness. In average, the satisfaction level reaches values between 3,52 and 3,8

## Evaluating customer satisfaction in banking services

(Figure 5) – meaning that customers are quite content with the way the staff is interacting with them.



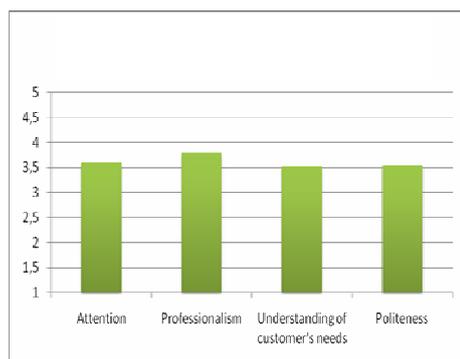
**Figure 3. Age of the respondents**



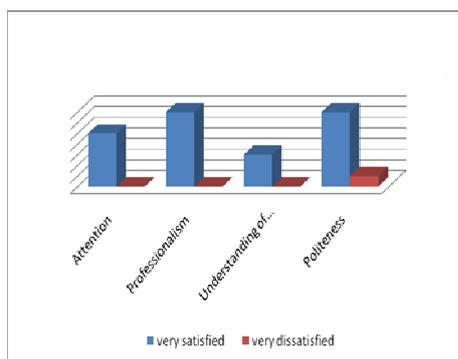
**Figure 4. Overall satisfaction level of the respondents**

These results fail to help indicate a proper course of action for the bank's branch. Consequently it is important to try to look „under the hood”. It is known that most customers tend to simply indicate that their satisfied with the service they receive. Also, these „satisfied” customers are not the ones advocating on the behalf of the bank. They are satisfied and quite.

For this reason, customers with extreme responses (very satisfied and very dissatisfied) are more interesting. As dissatisfied customers engage in greater word of mouth than satisfied ones (Anderson, 1998), it is worth to take also the extreme answers into account. Attention, professionalism and understanding of needs only have positive extreme answers; politeness registering the most. For politeness there are also negative extreme answers (Figure 6). Still, the ratio of negative and positive extremes is favorable for the banks personnel: only one of seven customers indicated they were very dissatisfied.



**Figure 5. Average satisfaction level regarding the banks personell**



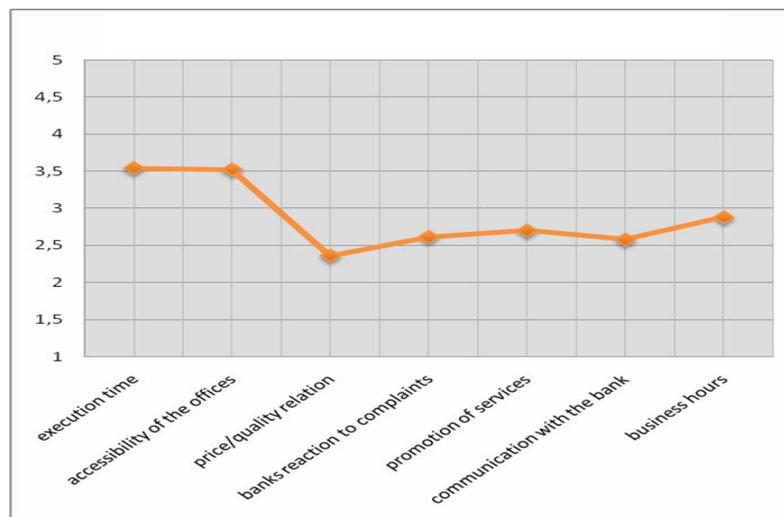
**Figure 6. Satisfaction level regarding the banks personell. Extremes**

## Management & Marketing

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In order to establish if there is a dependence between the satisfaction regarding the staff's professionalism and the waiting time, the Chi-Square Test was conducted. The results (Pearson Chi-Square 0,049) indicate that the two variables are indirectly dependent. As the customers' level of satisfaction regarding the professionalism rises, the waiting time shrinks.

For the other seven dimensions of the satisfaction with the bank's services (execution time, accessibility of the offices, price/quality relation, banks reaction to complaints, promotion of services, communication with the bank, business hours) average satisfaction levels were also determined (Figure 7). The values in this case are quite alarming. Execution time and accessibility of the offices are the only two attributes that register an average level indicating overall satisfaction – above 3,5. The other five attributes show dissatisfaction or indecision.



**Figure 7. Average levels for the satisfaction attributes**

The analysis of the extreme responses offers a view of the areas the bank's management needs to address (Figure 8). The negative/positive answers ratio reveals worrisome values the banks reaction to complaints (5) and communication with the bank (3).

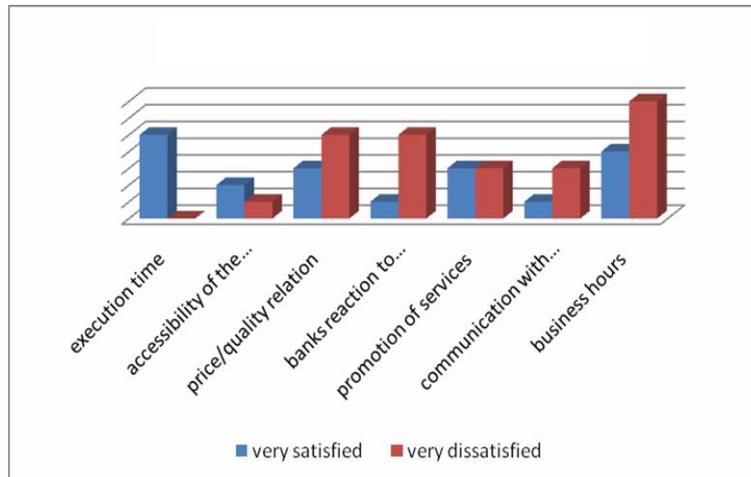


Figure 8. Satisfaction attributes. Extremes.

#### 4. Conclusions

As the conducted survey points out, there are some of the problems that surface in the effort of evaluating customers' satisfaction. First, the dimensions of satisfaction have to be established according to the area of business and the company's specifics. Even in the frame of banking there are differences – for instance in the service portfolio or the interaction procedure. Secondly, customers tend to state they are satisfied or check an undecided response. Therefore the scale for future surveys to be conducted within the bank should eliminate the middle way answers, obliging the customer to adopt a positive or negative position.

For the future the specifics of banking activity like credit and deposit; private, retail and corporate activity should be addressed in a direct manner in order to emphasize the differences between the different types of customers and address their problems appropriately. Extending the survey on other branches of the bank may point out differences between the satisfaction levels of their customers. The question arises if the satisfaction of the customers is depended on the activity and process management of the branch or if there are some aspects that need to be addressed top-down from the banks central.

The benefits of such surveys represent not only a clearer picture of the customers but also an overview of the areas the branch needs to improve. In this manner the bank has the chance to accede to a higher customer satisfaction level and maintain a strong relationship with its clients. This may not prevent

panic withdrawals during a severe financial crisis but may help prevent customers to migrate to other banks in times when the bank is more than ever depended on them.

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