

QUALITY AND CUSTOMER RELATIONSHIP MANAGEMENT IN THE BANK

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Abstract

The main objective of bank management is develop competitive advantages which are able to establish good relationship between the customer and the bank, as well as providing further improvement of the quality of relationship. The goal of this study is to assess both theoretically and empirically the quality of relationship between the customer and the bank and the level of satisfaction of different group of customers in one of the leading commercial bank in Latvia.

The research data were obtained by surveying of 73 customers of the bank who were classified into five groups: small and medium-sized enterprises, large enterprises, institutional customers, private persons and non-residents. The answers to the questions were measured applying the Likert scale from 1 to 5.

The authors analyzed the obtained data to determine principle interconnections between the mutual relationship management in the bank with the help of factors and discriminant analysis.

Keywords: relationship, customer satisfaction, bank.

JEL Classification: M21

Introduction

An efficient system of the banking is one of the most important achievements of economic development in Latvian. As shown data for the 2nd quarter of 2010 by the Financial and Capital Market Commission (FCMC), Latvian banking services are provided by 22 banks and 9 branches of foreign banks and the European Economic Area countries established credit institutions or their branches, who are submitted the respective application on FCMC, one of the bank - "VEF Bank" since 26/05/2010. has been revoked license. In the Bank of Latvia as well as are six electronic money institutions and two money market funds. Competition mainly affects a small number of large companies in the Latvia about what are interest in the European economic area large banks, while in the bank sector of the small and medium enterprises size the competition of them keep a large number of universal banks.

One of the key management and marketing strategy objectives are to develop competitiveness of the benefit (Devlin and Ennew, 1997). The benefit of competition is supported by customers trying to better added value compared to competitors. According to Porter (1980) established the distribution, there are two types of competition in distribution: low-priced and unique offer. Bank of the beginning understand that continuously improving its services and product range (Zineldin, 1996). Therefore in order to succeed in today's competitive market as an essential condition for the important also raises customer satisfaction, (Ndubisi and Chan, 2004) this is based on relationship marketing.

With the help of this study the authors managed to determine those factors whereupon the relationship management is based and qualitative mutual relations that develop between the bank and the customer. Data obtained in the study also acknowledged how the bank can create excellent quality of relations: by producing excellent service quality, providing up-to-date information on bank's services and products, providing competent information, solving conflict situations. The questionnaire used in this study may be used for further studies in all Latvian banks to evaluate general management of mutual relationship and customer satisfaction in the banking sector.

The goal of this study is to provide theoretical and empirical assessment of quality of relationship between the customer and the bank as well as satisfaction of customers in different groups of customers in one of the leading Latvian banks.

To achieve the goal were used the following research methods: a questionnaire, quantitative and qualitative methods, including the method of sociologic research, monographic and descriptive method, factors and discriminant analysis.

Literature review

Today, while companies are operating in both domestic and global markets they touch with fierce and aggressive competition, so it is very important to establish long term business relationship. How sad Lewis

(1991) then the world has never been so interdependent because all tendencies are pointed to the fact that cooperation is the basis for successful business development - relationship marketing. Relationship marketing conception has arisen in services and industry field (Berry, 1983; Jackson, 1985, Gummesson, 1987). Berry (1983) founded that relationship marketing is the strategy of attracting, maintaining and improving relationships with customers. Contrast, Rapp and Collins (1990) argued that relationship marketing is the object to establish and maintain long term relationship between company and customers who to provide mutual benefits for both involved sides. But Zineldin (1995) mean that in the relationship marketing one of the involved sides always have more or less dependent on the other results which includes complex of the interaction model - the business and the social exchanges quality is dependent upon the interaction process. Such relationship may involve cooperation and conflict between the both sides (Zineldin, 1995). Relationship marketing objectives are to establish, maintain and improve relationships with customers and other partners to make profits (Grönroos, 1994).

In competitive market conditions a company with good reputation can make more profit than a company with a bad reputation, but very important factor also are the customer's wishes and necessity (Zineldin and Bredenlów, 2001). Differences between company of production and services sector, bankers not only to sell products and services, but also of each customer relationship reputation. Kotler (1992) was writing that companies are able to reorientation short-term objective for long-term relationship objective. But Ndubisi (2003) to maintain, that the only one sustainable business growth strategy is the to form close relationship, but Kavali et al (1999) to show, that relationship marketing involves mutual trust, equality and commitment.

Many researchers have listed the main relationship marketing basic elements, such as quality of relationship (Morgan and Hunt, 1994), trust (Mogan and Hunt, 1994; Ndubisi, 2003), conflict situation handling, satisfaction (Mogan and Hunt, 1994; Ndubisi, 2003), competence (Andersons and Narus, 1990), commitment (Buttle, 1996) un communication (Ndubisi, 2004).

Quality of relationship is nonmaterial value of package what is able to increase product or service result between customers and sellers (Levitt, 1986). This term is also extended to the customer's perception, or expectations and projections are consistent with the objectives (Jarvelin and Lehtinen, 1996). But Gummesson (1987) quality of relationship defined as the social and professional relationships.

Communication is the ability to provide information in the timely and the reliable; it is communication who forming an interactive dialogue between the company and its customers before the sale, sales and after sales stages (Anderson and Narus, 1990). Communications of the main precondition is to provide and supply reliable information what are table to form in the bank's customer understanding and interest, thereby promote to take a decision for the benefit of a particular bank service.

Trust many researchers cited as one of the most important factors in the relations realization. Moorman et al. (1993) trust was defined as a desire to rely on the cooperation partners, thereby to promote mutual trust, if the trust is not fulfil then in the customers arise dissatisfaction and leaving. Other authors trust accented as the common values (Morgan and Hunt, 1994), such as the achievement of the objectives of mutual reception (Wilson, 1995), promise of filling (Bitner, 1995), work leads to a positive outcome (Anderson and Narus, 1984).

For the first time Conflict Situation handling mentioned and described Blake and Mouton (1964) which was shown schematically and consisted of five groups: competing, collaborating, compromising, avoiding, and accommodating. Conflict Situation handling is to be able to reduce the backlash which may arise from the potential conflict (Dwyer et al, 1987).

Satisfaction is also so important factor as a trust to establish and form customer loyalty, as well as to forecast the future possible development tendencies (Morgan and Hunt, 1994; Gundlach et al, 1995). Sociologists commitment characterized as a descriptive term to identify peoples or groups typical features (Kiesler, 1971), while in the banking system they are defined as liabilities which extended needs to be able to keep to the maintain level (Morgan and Hunt, 1994).

Competence is defined as costumer perception of the delivered technology and the commercial terms (Anderson and Weitz, 1989). Competencies can be classified in four ways: suppliers' knowledge in a customer market, ability to give the advice on business, ability to help the customer with purchases, ability to deliver the effective sales material of promotion. The customer carrying out has a significant impact on bank profitability indicators (Newman and Crowling, 1996).

Commitment helps to understand the relationship of selling, thus to determine the value of customer loyalty, as well as a forecast of the future benefits (Morgan and Hunt, 1994; Gundlach et al, 1995). Moorman

et al (1992) commitment was defined as liabilities which creates the desire to keep long term and valuable relationship.

Research Methodology

The research was conducted from October till December in 2010 in one of the leading Latvian bank, may theoretically and empirically evaluates the quality of the relationship between bank and customers, as well as customer satisfaction between the different groups of customers. For obtaining data were used the following performance: questionnaire and obtained data assessment with the help of factors and discriminate analysis as well as data obtained in graphic.

Questionnaire - by all groups as a whole was electronically sent 105 questionnaires of which 77 were returned, but as 4 of them were incomplete, so that the data were analyzed from 73 questionnaires. In the questioning were participated customers of one bank who were divided in five groups: small and medium enterprises, institutional customers, large enterprises, private persons and non-residents (private persons and enterprises from Europe and CIS countries). Questions used in the questionnaire were collected from different literature sources and were adjusted to conform to the study objectives. The majority of questions were evaluated on the Likert scale from 1 to 5. Data obtained in the questionnaire were summarized and analyzed with the help of factors and discriminant analysis to define what factors are able to influence and have impact on the quality of customer relationship and customer satisfaction.

Analysis of factors was done virtually for all questions of the questionnaire to determine its suitability as well as to carry out further data analysis process. These results were aimed at the variable based on conceptual and practical considerations and assuming that the determined coefficient is 0.50 and higher, was as well used in the study. While in order to evaluate management of mutual relations and its ability to influence quality of relationship the discriminant analysis was used. On the grounds of the data obtained in the questionnaire the authors developed a mutual relationship values model of the bank and bank's customers.

Research Results

Data from the demographic and personal questions showed that all of the interviewees 78% are mans and 22% women of whom 23 are from segment of small and medium enterprises, 14 of institutional customers, 12 from large enterprises, 17 private persons and 7 non-residents on average 37 years old, of which 4% are doctoral degree, master's degree 15%, 32% of higher education and 49% have secondary or professional education.

Data from the interviews are summarized in the images using factor and discriminant analysis.

The questions who involving the quality of the relationship block is shown in Figure 1. On the questions: "My bank show high professionalism", "My relationship wit the bank fulfil my expectations", "My relationship with the bank fulfil my objectives", "My relationship with my bank is good", "My relationship with my bank is desirable" data showed when quality of relationship prefer higher institutional customers, large enterprises and non-residents but by contrast the lowest privat persons and small and medium enterprises.

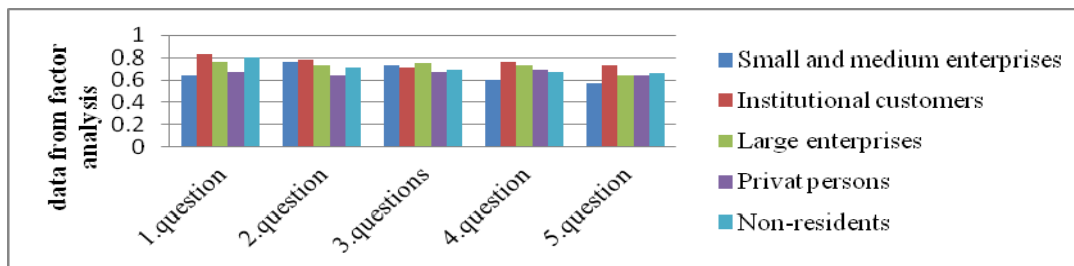


Figure 1. Quality of relationship

(1.question. My bank show high professionalism; 2.question. My relationship with the bank fulfil my expectations; 3.question. My relationship with the bank fulfil my objectives; 4.question. My relationship with my bank is good; 5.question. My relationship with my bank is desirable)

The second block of questions are linked with Communication – Figure 2, because the changing economic situation the banks are able to provide correct information in timely. The obtained data showed

that the Communication prefer higher segment of institutional customers and non-residents but by contrast the lowest privat persons.

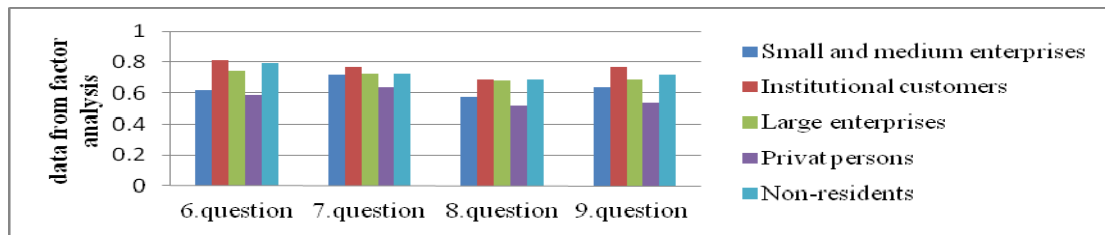


Figure 2. Communication

(6.question. My bank provided the requested information in time; 7.question. My bank inform me in time about new services; 8.question. My bank fulfil its promises; 9.question. My bank information is always accurate)

Questions who related with Trust is shown in Figure 3. Data from factor analysis shown when more higher Trust in the bank prefer institutional customers (0,76) were follow non-residents (0,74) and the last one is privat persons (0,64).

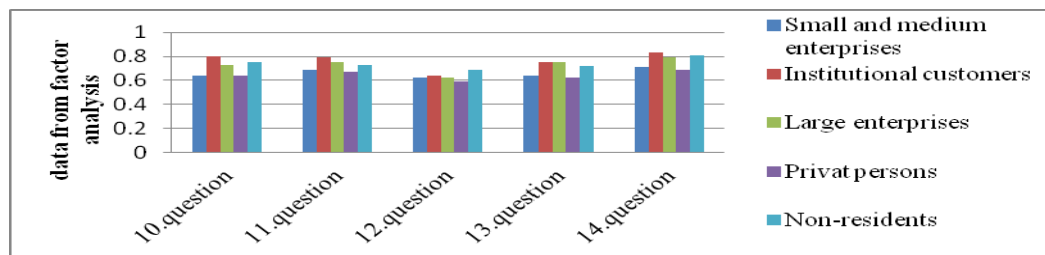


Figure 3. Trust

(10.question. My bank fulfils its obligations to customers; 11.questions. My bank employees respect the customers; 12.question. My bank guarantee quality of services; 13.question. My bank cares for my transaction security; 14.question. My bank keeps its promises)

The questions who directed to Conflict situation handling is shown in Figure 4. The obtained data show when all five segments of the clients are much as a similar view of the bank's skill of Conflict situation handling.

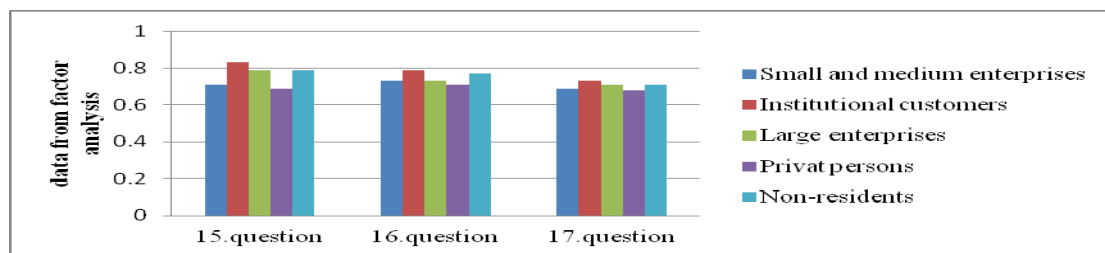


Figure 4. Conflict situation handling

(15.question. My bank is able to find solutions in problem situations; 16.question. My bank tries to avoid potential conflict; 17.question. My bank trying to resolve the conflict before it has become a problem)

The questions who are directed to Satisfaction are shown in Figure 5. Here are too think of the customers in various segments are very similar but more higher Satisfaction is evaluate institutional customers but more less privat persons.

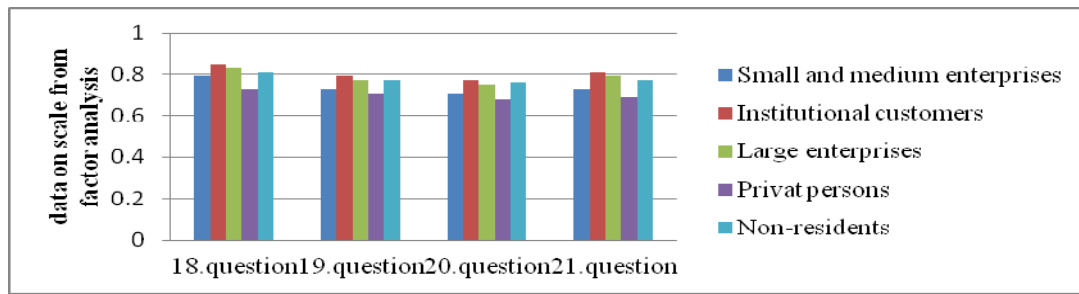


Figure 5. Satisfaction

(18.question. I am completely satisfied with my bank; 19.question. With my bank I have only a positive experience; 20.question. I am happy with that what the bank doing for me; 21.question. In future I would still to use my bank)

Figure 6 summarize the Bank's Competence. Each segment of the customer think about the bank and the bank employees Competence divided. Institutional customer (0,79) this questions are rated similar as a large enterprises (0,78) and non-residents (0,76) but small and medium enterprises (0,69) estimate it similar as a privat persons (0,67).

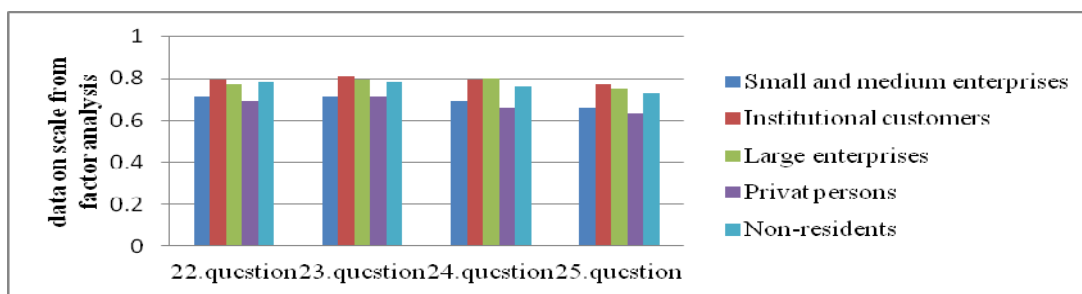


Figure 6. Competence

(22.question. My bank has knowledge about the market situation; 23.question. My bank has knowledge about banking services; 24.question. My bank help me to plan my money; 25.question. My bank is well aware of my needs)

Looking about Commitment (Figure 7) questions were focused on the connection between the client and banking. Obtained data show when the bank can be more flexible and offer a variety of new solutions for the banking services for large enterprises but more less for privat persons and small and medium enterprises.

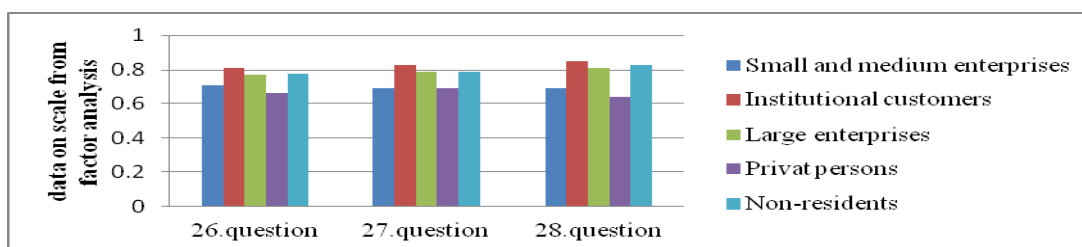


Figure 7. Commitment

(26.question. Changing services in market my bank are flexible; 27.question. My bank their services to adapt to my needs; 28.question. My bank services for me are flexible)

During the questions block of summary who illustrate the relationship management at the bank (Figure 8) authors were established a relationship management picture which shows a segment of all groups are given the highest evaluation. The data show that most of the relationship management teams are evaluated Commitment, Satisfaction, Conflict situation handling, Competence, Quality of relationship, Trust, Communication.

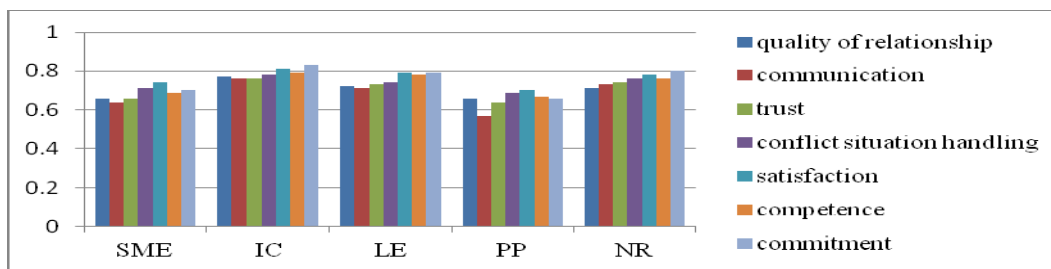


Figure 8. A comparison of the bank relationship management between the different customer segments (SME - Small and medium enterprises; IC - Institutional enterprises; LE - Corporative enterprises, PP – Privatpersons; NR - Non residents)

By discriminant analysis help has produced the relationship strengths and weaknesses sides of the bank's customers. The obtained data from Figure 9 showed that the bank has the highest level of Commitment but more less Communication. Consequently, the Bank should develop a strategy to achieve the equalization rate.



Figure 9. Relationship quality in bank using the discriminant analysis

Conclusions and Recommendations

With the help of this study the authors managed to determine those factors whereupon the relationship management is based and qualitative mutual relations that develop between the bank and the customer. Data obtained in the study also acknowledged how the bank can create excellent quality of relations: by producing excellent service quality, providing up-to-date information on the bank's services and the products, providing competent information, solving conflict situations in a professional way and improving general customer relationship quality between the satisfied and not so satisfied customers.

The article data showed that the most satisfied with relationship management are businessmen but private persons are the less satisfied, this fact can be explained by that when each businessman have attached its own manager who offering personalized service and more higher flexibility for banking products and services, the same applies to non-residents but while private persons do not have their own manager, except a loan or leasing customers.

With increasing mutual competition among the banks and taking into account that a range of services provided by banks is almost equal, ever greater attention is paid to the mutual relationship management and customer satisfaction not only from the bank's point of view but also on the part of researchers. This study reveals the current quality of relationship and customer satisfaction that may be used in customer relationship management that allows obtaining information on how to attract a customer in a possibly more efficient way and develop good mutual relationship with it. Of course, the obtained study will be of great expedience to the bank, wherein the study was carried out for better understanding of the current customer satisfaction and activities to be performed to improve present showings and make them perfect. The questionnaire used in this study may be used for further studies in all Latvian banks to evaluate general management of mutual relationship and customer satisfaction in the banking sector.

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