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# Techniques for measuring customers' satisfaction in Banks

Elena Lidia MELNIC[1]

**Abstract:** *The major concern of banks today is to recover and maintain customer trust. Customers need to feel that banks are considering their best interests. Customers are seeking for easy and personalized information. They want to better understand their financial situation and to control it. They want to know both the benefits, as well as the risks. Clients want to work with banks that are concerned about them and about their personal goals. However, only an attractive offer of banks is not the key to success today if is not supported by a superior service culture, that can make notable differentiation in the market. Many banks all over the world are systematically measuring how well they treat customers, identifying the factors shaping satisfaction, and changing operations and marketing as a result. Wise banks measure customer satisfaction regularly because it is one key to customer retention.*

**Key-words:** *customer service culture, net promoter score, customer satisfaction, banking*

## 1. Introduction

Nowadays, the changes in the banking system that is marked by the relaxation of the legislation, the emergence of new technologies and increased competition have led to significant changes in consumer behaviour, giving them greater flexibility and allowing them to modify faster their buying behaviour of services and banking products.

It can be seen that banks strategy increased in concerns about maintaining a connection with existing clients in order to gain their loyalty, and this could only be done after a serious research and understanding of their behaviour.

Not to mention, that in past years, due to the drastic changes that have occurred in the international financial and banking market, banks are perceived by population as the cause of many negative events in the market, and yet without the banks, economy can't exist. In a mature market, characterized by oversupply, the expansion cannot be achieved by attracting new customers, but by focusing on the actual consumers and by strengthen the business relations with them.

[1] Transilvania University of Braşov, melnic.elena.lidia@unitbv.ro; elena_melnic@yahoo.com

Successful players in the financial services deliver differentiated products and services to meet the needs of their customers and achieve a high level of trust from them, increasing transparency and securing personal data.

Experts in financial research analyses market trends and extract essential information that helps banks develop strategies and financial products and services that are more attractive and more competitive for customers.

## 2. Models of customer satisfaction

Successful banks are those who carefully cultivate customer satisfaction and loyalty. **In these multinationals the customers are placed at top.** Next in importance are frontline people who meet, serve, and satisfy them; under them are the middle managers, whose job is to support the frontline people so they can serve customers well; and at the base is top management, whose job is to hire and support good middle managers, unlike the traditional organizations with the president at the top, management in the middle, and frontline people and customers at the bottom.

Traditional Organization Chart

Modern Customer Oriented Organization Chart

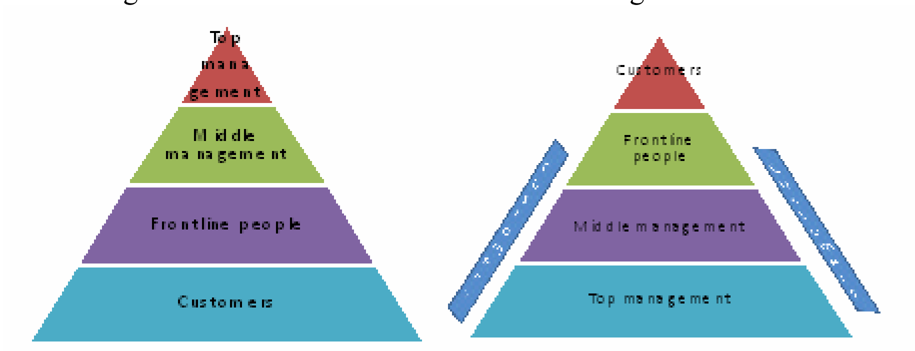


Figure 1. Traditional Organization Chart vs. Modern Customer Oriented Organization Chart

According to Philip Kotler (2016) **loyalty** has been defined as "***a deeply held commitment to rebuy or re-patronize a preferred service in the future despite situational influences and marketing efforts having the potential to cause switching behaviour***".

Image projection banking institution among its clients is extremely important in the process of evaluating the quality of their services.

**The attributes deemed important by customers are the image of a strong and stable bank, safe and reliable. The less relevant banks related to the image of a friendly, modern and prestigious.**

Given the psychological aspects that determine the behaviour of the individual, anything related to monetary values, as is the case of banking, are understood aspects that guide consumers in assessing the preferred bank's image. They put first the safety and confidence in the banking institution concerned and psychologically customer banks respond to these concerns by massive investments in tangible items or communications campaign designed to inspire these feelings among consumers.

### 2.1. The Six Levels of Services

According to Ron Kaufman, who is to be considered world authority in customer service, there are six levels of services that a company can provide to its external or internal customers, and the diagnosis obtained according to this hierarchy indicates the areas where improvements can be made

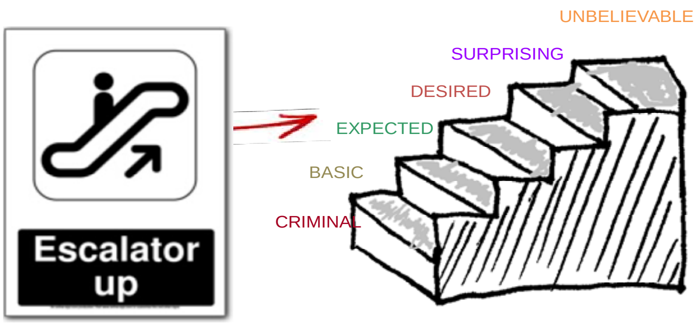


Figure 2. The sixth levels of services according to Ron Kaufman (2013)

"Over the years, we have witnessed profound changes in people's attitudes and actions, and significant performance improvements of many companies in the services sector, which has brought noticeable gains in terms of reputation, market share and profits. Organizations that build superior service culture enjoy a sustainable competitive advantage, attracting most loyal customers and employees most talented and most motivated. " (Kaufman, 2014).

The best definition of the services is to act so as to create value to someone else.

There are six stages of service, and if a company discovers which of these levels is, can act so as to improve customer service.

The lowest level in terms of quality is the critical "**Criminal**" followed by the minimum ("**Basic**"), predictable ("**Expected**"), "**Desired**", "**Surprising**" and "**Unbelievable**", the latest being the highest level.

The “**Criminal**” level does not meet all the company's standards for delivery of that service, and customers tend not to ever return to that company, whereas the "**Basic**" presupposes that the services offered by the company to be at least disappointing, but not so weak as to attract complaints from customers.

The next level, the "**Expected**", indicates that the services are not special and for that they don’t lead to customer loyalty, customers will came back to the company only if they have no other options.

The “**Desired**” level indicates that you feel extraordinary when getting the service. As a client, you interact with a professional who shows you personalized offer of the newest on the market and wants to give you the best service.

The "**Surprising**" level it is much better than the expected one. Namely, the need was anticipated, the company knew exactly what you wanted so it delivered a one-class service.

The "**Unbelievable**” level it is met by only one company in the world.

As Author of "Superior Service Culture” which became a bestseller and a reference book in the specialized literature and is applied by the companies, Kaufman, declared in an International Conference that "***In order the superior service work in the favour of the company, they should be part of its organizational culture”.***

## 3. Techniques for measuring customer satisfaction

Many banks all over the world are systematically measuring how well they treat customers, identifying the factors shaping satisfaction, and changing operations and marketing as a result. Wise banks measure customer satisfaction regularly because it is one key to customer retention. A highly satisfied customer generally stays loyal longer, buys more as the company introduces new and upgraded products and services, talks favourably to others about the bank, pays less attention to competing brands and is less sensitive to price and costs less to serve than new customers because transactions can become routine.

If we take a look in the past, we can notice Zeithaml and others (1988) tried to find a general model for service quality, so under their own model, allowed consumers to judge the quality process in the service delivery and then examined the quality of the service after it was delivered. They noted that the intangible elements, like a friendly welcoming smile from the provider, is part of the service quality process and its proper execution is the result of this quality. It was thus crystallized the need for a tool to capture all this subtle and allow quantification and comparison of different levels of quality of services offered by suppliers in the services sector.

Starting from the idea that, conceptually, theoretically, service quality is a function of gap between "perceptions" and "expectations," Parasuraman, Zeithaml and Berry have conducted numerous studies and experiments that led to a general model of service quality.

Customer expectations are determined by their previous experiences, communications and advertising made by the company. They choose a provider or another depending on these criteria, and after performing the service, they compare the received service with the expected one.

In an attempt to solve the problem of measuring the quality of services, Parasuraman and others (1988) developed a scale called **SERVQUAL** with ten items, based on interviews and focus groups. The aim is precisely to measure the differences between customer expectations and perceptions regarding the quality of services listed above.

At first, the 10 elements used to measure the quality of service were: Access, Communication, Competence, Kindness, Credibility, Reliability, Responsiveness, Security, Tangible Elements, Understanding / Knowledge of the Customer. In subsequent studies the following ten elements have been refined, leaving only five. The five elements of the SERVQUAL model were: Tangible Elements, Reliability, Responsiveness, Certainty, and Empathy.

From research on the applicability of SERVQUAL, emerge a series of criticisms of this instrument, which is accentuated in the particular case of banking services:

1. Lack of applicability of SERVQUAL in different cultural contexts, causing resize this instrument in terms of both component and number of its characteristics,
2. Difficulty (in most cases) to analyse consumers' expectations in respect of the banking services, due to complexity of the banking services as well as the tendency of the consumers to overestimate them.

Reichheld came with a different approach in 1998. He suggested that only one customer question really matters: "**How likely is it that you would recommend this product or service to a friend or colleague**?"

Reichheld was inspired in part by the experiences of Enterprise Rent-A-Car. When the company cut its customer satisfaction survey in 1998 from 18 questions to two—one about the quality of the rental experience and the other about the likelihood customers would rent from the company again—it found those who gave the highest ratings to their rental experience were three times as likely to rent again than those who gave the second-highest rating. The firm also found that diagnostic information managers collected from unsatisfied customers helped it fine-tune its operations.

In a typical Net Promoter survey that follows Reichheld's thinking, customers are given a 1-to-10 scale on which to rate their likelihood of recommending the company. Marketers then subtract *Detractors* (those who gave a 0 to 6) from *Promoters* (those who gave a 9 or 10) to arrive at the **Net Promoter Score (NPS).** Customers who rate the brand with a 7 or 8 are deemed *Passively Satisfied* and are not included.

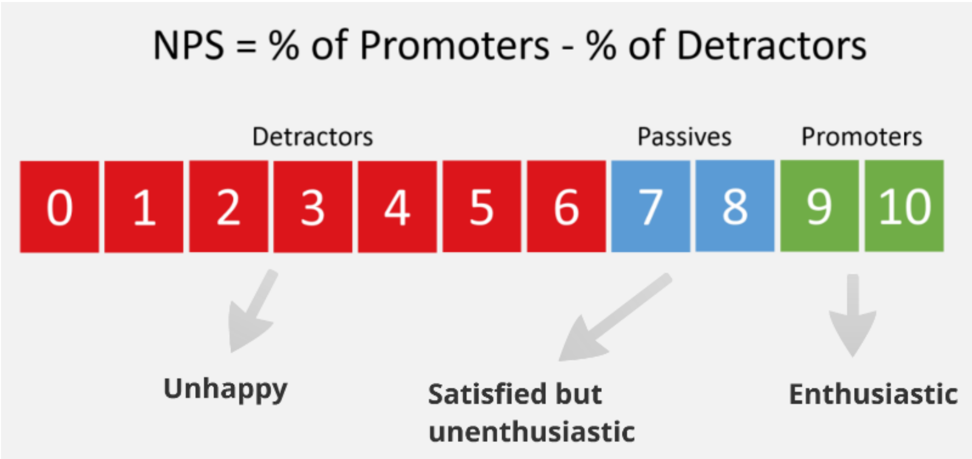


Figure 3. The structure of the survey respondents expressed depending on their option **(NPS)**

**Net Promoter Score (NPS)** is the index that describes consumers' intention to recommend to friends or colleagues a company or product. Promoters are loyal and enthusiastic buyers who recommend the brand; passively are satisfied consumers, but the lack of enthusiasm for the brand and all vulnerable to competition; and detractors are dissatisfied consumers, who could damage the brand and affect business growth through negative publicity (Philip Kotler, Kevin Lane Keller 2016).

With the development of social media and online environments, the experience of a client with a bank, a product or service can propagate much faster. It is recognized in this respect merit Net Promoter to measure these experiences and identify issues that formed the basis of certain views, creating ways to increase customer loyalty and performance of a company.

Basically, through the Net Promoter Program, banks invite customers to assess the relationship with the institution immediately after concluding a deal. The evaluation takes place either by telephone or via e-mail invitations sent to answer several questions. Among them is the one on their willingness to recommend the bank to family, friends or colleagues. Listening to more customers has intensified in the recent years. Banks are concerned to adapt products and services to the new economic context, on one hand, and to increase awareness and transparency in communication on the other hand.

Internationally, NPS is regarded as an indicator of growth and profit for the company, considering that the percentage of consumers' promoters is directly proportional to profitability.Reichheld has picked up many believers through the years, not only the banks, butalso American Express, Dell, and Microsoft, among others. GE has tied 20 percent of its managers' bonuses to its NPS scores.

When the European unit of GE Healthcare scored low, follow-up research revealed that response times to customers were a major problem. After it overhauled its call centre and put more specialists in the field, GE Healthcare's Net Promoter scores jumped 10 to 15 points.

Reichheld says he has developed NPS in response to overly complicated and thus ineffective customer surveys. So it's not surprising that client banks praise its simplicity and strong relationship to financial performance.

Net Promoter is not without critics. A common criticism is that many different patterns of responses may lead to the same NPS. For example, NPS equals 20 percent when Promoters equal 20 percent, Passives equal 80 percent, and Detractors equal 0 percent, as well as when Promoters equal 60 percent, Passives equal 0 percent, and Detractors equal 40 percent, but the managerial implications of the two patterns of responses are very different. Another common criticism is that it is not a useful predictor of future growth because it ignores important cost and revenue considerations.

The University of Michigan's Claes Fornell has developed the A**merican Customer Satisfaction Index (ACSI)** to measure consumers' perceived satisfaction with different firms, industries, economic sectors, and national economies.

Research has shown a strong and consistent association between customer satisfaction, as measured by ACSI, and firm financial performance in terms of ROI, sales, long-term firm value. According to the 2014 survey the ACSI leading bank was JPMorgan.

Some have criticized both NPS and ACSI measures for not fully accounting for ex-customers or those who were never customers. Peoples' opinions about any of the single items or indices measuring customer satisfaction depend in part on how they value the trade-off between simplicity and complexity.

## 4. Customer profitability

A profitable Customer is a person, household, or company that over time yields a revenue stream exceeding by an acceptable amount the company's cost stream for attracting, selling, and serving that customer. Note the emphasis is on the *lifetime* stream of revenue and cost, not the profit from a particular transaction. Marketers can assess customer profitability individually, by market segment, or by channel.

Many companies measure customer satisfaction, but only few measure individual customer profitability.

Banks claim this is a difficult task because each customer uses different banking services and the transactions are logged in different departments. However, the number of unprofitable customers in their customer database has appalled banks that have succeeded in linking customer transactions. Some report losing money on more than 45 percent of their retail customers.

It is not enough to attract new customers; the bank must also keep them and increase their business. Too many banks suffer from high customer churn or defection. Adding customers here is like adding water to a leaking bucket.

To reduce the defection rate, the bank must:

1. *Define and measure its retention rate.*
2. *Distinguish the causes of customer attrition and identify those that can be managed better.*
3. *Compare the lost customer's lifetime value to the costs of reducing the defection rate.*

As long as the cost to discourage defection is lower than the lost profit, banks will spend money to try to retain the customer.

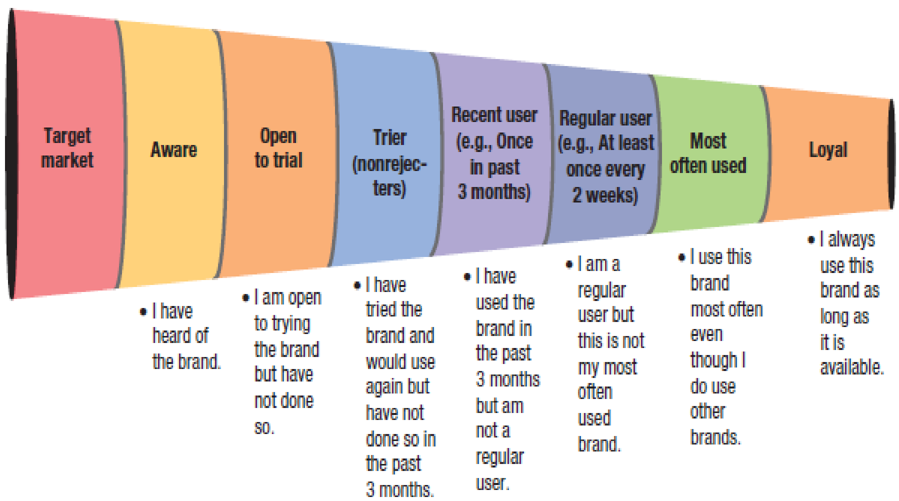


Figure 4. The marketing funnel according to Philip Kottler (2016)

Customer profitability analysis and the marketing funnel help marketers decide how to manage groups of customers that vary in loyalty, profitability, risk, and other factors. A key driver of shareholder value is the aggregate value of the customer base.

## 5. Conclusions

Periodic surveys can track customers' overall satisfaction directly and ask additional questions to measure repurchase intention, likelihood or willingness to recommend the company and brand to others, and specific attribute or benefit perceptions likely to be related to customer satisfaction.

Banks need to monitor their competitors' performance too. They can monitor their ***customer loss rate*** and contact those who have stopped the relationship to find out why.

Banks also hire mystery shoppers to pose as potential buyers and report on strong and weak points experienced in the interaction with the bank or the competitors. Managers themselves can enter the bank and the competitors where they are unknown and experience first-hand the treatment they receive, or they can phone their own bank with questions and complaints to see how employees handle the calls.

Winning banks improve that value by excelling at strategies like the following:

• ***Reducing the rate of customer defection.*** Selecting and training employees to be knowledgeable and friendly increases the likelihood that customers' shopping questions will be answered satisfactorily.

• ***Increasing the longevity of the customer relationship.*** The more engaged with the company, the more likely a customer is to stick around.

• ***Enhancing the growth potential of each customer through "share of wallet," cross-selling, and upselling.***

Sales from existing customers can be increased with new offerings and opportunities.

• ***Making low-profit customers more profitable or terminating them.*** To avoid trying to terminate them, marketers can instead encourage unprofitable customers to buy more or to pay higher amounts or fees. Banks, now charge for once-free services to ensure minimum revenue levels from these customers.

• ***Focusing disproportionate effort on high-profit customers.*** The most profitable customers can be treated in a special way. Thoughtful gestures such as birthday greetings, small gifts, or invitations to special sports or arts events can send them a strong positive signal.

For customer-centred banks, customer satisfaction is both a goal and a marketing tool. Banks need to be especially concerned with their customer satisfaction level today because the Internet allows consumers to quickly spread both good and bad word of mouth to the rest of the world.

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