



# RELATIONSHIP BETWEEN BANKS AND CUSTOMERS: A QUANTITATIVE RESEARCH APPROACH

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## *Abstract*

The relationship between banks and customers cannot be overemphasized. A banker and a customer's relationship depend on the type of transaction, products or services offered by bank to its customers. The legal relationship between a bank and its customer differs in several important respects from the relationships between most other service providers. This relationship could be referred to that of a Pledger and a Pledgee. This happens when customer pledges (promises) certain assets or security with the bank in order to get a loan. In this case, the customer becomes the Pledger, and the bank becomes the Pledgee. Under this agreement, the assets or security will remain with the bank until a customer repays the loan. In this paper, a quantitative research was carried out with questionnaire on the relationship between banks and customers in Greece. The aim of our research is to find out: (i) which banks in Greece are most popular and why; (ii) their outstanding services; and (iii) what type of relationship do customers have with these banks. In conclusion, we find out that in one hand, the relationship between banks and customers is good and all interviewers visit a bank branch at least once a month. On the other hand, not all customers are satisfied with the bank rates, hence, they ask for better services such as continuous update of information, transaction of their accounts, interest rates, loans and various e-banking products.

## *Key words*

Major Banks in Greece; Quantitative research; Customers; Gender; Formal and informal research.

## **INTRODUCTION**

Once upon a time banks, retailers, insurance companies and car dealers had a close relationship with their customers. They often knew them individually, understood what they wanted, and satisfied their needs through personal customized service. As

a result, they earned loyalty and a large share of their customers' business. This, however, was a costly and inefficient system and customers effectively subsidized this relationship by paying higher prices. Over the years, through mass marketing and increased consumerism customers traded relationships for anonymity, reduced variety and lower prices. Today, through the effective use of information and communications technology, such a tradeoff is not necessary; organizations can now offer their customers variety, lower prices and personalized service and all at the same time. An airline gate attendant whom you have never set eyes on knows you are a valuable customer and upgrades your seat to first class in preference to a once-a-year holiday traveler. Your garage reminds you that your car is due for service. Your bank informs you that you have excess funds in a non-interest bearing account. These companies are practicing elements of an approach to marketing that uses continuously refined information about current and potential customers to anticipate and respond to their needs.

Larson, (2000) stressed that the relationship between a banker and a customer depends on the activities, products or services provided by bank to its customers or availed by the customer. Bank's business depends much on the strong bondage with the customer. "Trust" plays an important role in building healthy relationship between a banker and customer.

## **QUANTITATIVE RESEARCH**

In this paper, we intend to conduct a quantitative research with the questionnaire method. According to Blaxter et al, (1996), quantitative research methods are chosen because quantitative strategies are seen as more scientific and objective compared to other strategies. In addition, the key feature of quantitative research is that it is or aims to be a planned, careful, systematic and reliable way of finding a deep understanding.

## **PURPOSE OF RESEARCH**

The aim of our research is to find out:

- Which banks are most popular and why?
- Which services of the banks are outstanding?
- What relationship do banks have with customers?
- Are customers satisfied with the banks they transact with?

The information generated, can be used by the management of the banks to modernize and improve their services, developing new and generally to draw conclusions that will help to better organize and develop the hardware, infrastructure and services of the banks and lead to better allocation of staff and work with the aim of increasing their customers. In order to arrive at a concrete conclusion, we addressed customers from four banks through questionnaires and interviews to the managers of these banks that we considered to have the most



important positions in the Greek banking market. The four banks are namely: National Bank of Greece, Alpha Bank, Commercial Bank and Piraeus Bank.

The significance of our research lies within the strong competition prevailing in the banking environment, which, new and old, is trying through various ways and incentives to consolidate their position in the banking market.

## METHODOLOGY

In this research, we wanted to go deeper and to learn more about the banks and their services. Hence, the managers of the sampled banks were addressed and a short interview was taken by putting the following questions:

1. When did your bank start operation?
2. What was the evolution till date?
3. Do you think that your bank can successfully cope with the prevailing competition in the market?

## NATIONAL BANK OF GREECE

The Manager of the National Bank branch at 160 Egnatia Street in Thessaloniki, Mr. Stylianos Kakaris commented that: The National Bank of Greece (NBG); Greek: *Εθνική Τράπεζα της Ελλάδος*) is the oldest and largest commercial banking group in Greece. The group has a particularly strong presence in Southeastern Europe and the Eastern Mediterranean. It owns subsidiaries in over 18 countries, including Bulgaria, Cyprus, Egypt, Former Yugoslavia Republic of Macedonia (FYROM), Netherlands, Romania, Russia, Serbia, South Africa, Switzerland, and Turkey. Founded in 1841 as a commercial bank, NBG enjoyed the right to issue banknotes until the establishment of the Bank of Greece in 1928. It has been listed on the Athens Stock Exchange since the Exchange's foundation in 1880. The NBG Group is involved in the investment banking services, brokerage, insurance, asset management, leasing and factoring markets. The Bank's branch and ATM network, the largest in Greece (568 domestic banking units and 1485 ATMs), effectively covers the entire country. It is developing and expanding alternative distribution channels for its products, such as mobile and internet banking. Today, after recent acquisitions in South Eastern Europe the Group's network overseas consists of 868 units. Over 9 million deposit accounts and more than 1.5 million lending accounts are held with NBG.

## ALPHA BANK

The Manager of the Alpha Bank branch at 32 Ionos Dragoumi Street, Thessaloniki, Mr. Anastasios Zagaz said that: It is the second largest bank in Greece with 450 branches throughout the country. It also has a subsidiary and branch in London, and

branches and subsidiaries throughout the Balkans. Founded in 1879, it has been controlled by the Costopoulos family since the very beginning. Currently the bank is chaired by Ioannis Costopoulos.

- In 1879 John F. Costopoulos established a small commercial firm in the city of Kalamata.
- In 1918 the banking department of the "J.F. Costopoulos" firm changed its name to Bank of Kalamata.
- In 1924 the bank moved its headquarters to Athens and changed its name to Banque de Credit Com Hellenique.
- In 1947 the bank changed its name to the Commercial Credit Bank (CCB).
- In 1972 the CCB changed its name to Credit Bank (Trapeza Pisteos).
- In 1994 Credit Bank changed its name to Alpha Credit Bank (ACB).
- In 1999 ACB acquired 51% of the shares of the Ionian Popular Bank.
- In 2002 (February) Alpha Bank's attempted merger with National Bank of Greece fell through.
- In 2011 (August) Alpha Bank merged with Eurobank EFG.

The new bank is the biggest bank in southeastern Europe, with assets of 146 bn euros (\$ 212 bn; £ 129 bn) and 1.300 branches.

## **EMPORIKI BANK**

The Manager of the of Emporiki Bank branch at 21 Ionos Dragoumi Street, Thessaloniki, Mr. Athanasios Prusalis pointed out that: The Emporiki Bank (Greek: Εμπορική Τράπεζα) is a Greek bank. The Commercial Bank of Greece (CBG) was established in 1907. The bank has 370 branches across Greece. After World War I, in 1922, CBG established and took a major position in Commercial Bank of the Near East (CBNE) in London with CBG as a major shareholder. CBG expanded its international operations further by opening a branch in Alexandria in 1925, and another one in Cairo later. The bank has most of its subsidiaries in Cyprus. It also has subsidiaries in Albania, Romania and Bulgaria, and a branch in London that also manages a financing subsidiary. The bank is one of the 500 largest banks in the world. In August, 2006, the French bank Crédit Agricole, acquired 67% of its capital and now controls Emporiki.

## **PIRAEUS BANK GROUP**

The Assistant Manager of Piraeus Bank branch in 132 Tsimiski Street in the city of Thessaloniki, Mrs. Papanikoli Chrysanthi made the following statement: Piraeus Bank Group is one of the most dynamic and active financial organisations in Greece today. Founded in 1916, Piraeus Bank went through a period of state-ownership and management (1975-1991) before it was privatised in December 1991. Since then, it has continuously grown in size and activities. Along with its organic growth and strong presence in the domestic market, Piraeus Bank absorbed the activities of Chase Manhattan in Greece in 1998, took over controlling interest in Macedonia-



Thrace Bank and acquired the specialised bank Credit Lyonnais Hellas. At the beginning of 1999, the Bank acquired Xiosbank and absorbed the activities of National Westminster Bank Plc in Greece.

The Piraeus Bank group of companies engages in financial and banking activities not only in Greece but also in Frankfurt, London and New York through a branch network of 960 stores, as well as the financial centers of Southeastern Europe and the Eastern Mediterranean. Piraeus Bank Group engages in retail banking, the financing of small and medium-sized enterprises (SMEs), capital markets, investment banking, leasing, real estate and financing of the shipping sector.

Piraeus Bank Group has a constantly expanding network with more than 300 branches in Greece, 14 branches in New York, 1 in the UK, 180 branches in Romania, 72 in Bulgaria, 38 in Albania, 38 in Serbia and 40 in Egypt. Piraeus Bank Group acquired a Ukrainian bank, International Commercial Bank, in 2007. In addition, Piraeus Bank operates a representative office in Moscow.

## FORMAL RESEARCH

The population under our research lies within the following groups: Undergraduates, Postgraduates & Ph.D candidates of the University of Macedonia; Members of the Academic and Research staff of the University of Macedonia; Members of the Administrative Staff of University of Macedonia; External visitors to the University of Macedonia and various customers at the branches of the banks.

## SAMPLES

In data analysis, data less than 60 could not be analyzed further because they do not have the minimum statistical reliability while data approximately 1.000 and above are considered to be indicatively analyzed (ICAP A. E., 1997).

The sample of our respondents is a representation of the population under investigation. The population and the sample obtained are as follows:

- Undergraduates, Postgraduates & Ph.D, University of Macedonia ..... 570
- Academic and Research staff members, University of Macedonia ..... 55
- Administrative staff members, University of Macedonia ..... 20
- External visitors UOM & various customers at bank branches ..... 555
- *Total* ..... 1,200

## QUESTIONNAIRE

The questionnaire designed consists of 20 questions and includes issues related to the purpose of the research. It was conducted at the University of Macedonia and at various branches of the banks in the city of Thessaloniki from 13-17 June, 2013 (shortly before Piraeus Bank's acquisitions of the "good" ATEbank, Geniki Bank,

Bank of Cyprus, Cyprus Popular Bank, Hellenic Bank and the Millennium Bank of Greece in September 2013).

## DATA PROCESSING

Upon completion, the questionnaires are being coded and the responses processed at the statistical software package (SPSS) and with the help of Microsoft Excel program used for all logical checks of the imputed data and the extraction of the results in graphs that have the form of pie.

## RESEARCH FINDINGS

**1. Question: "Gender".** Out of the total respondents (1,200 persons), it was found that 54% were males and 46% female (Fig. 1).

**2. Question: "Age".** Out of the total respondents (1,200 persons), it was found that 66% were from 18 - 34 years, 31% were from 35 - 54 years, while 3% were from 55 years old and above (Fig. 2).

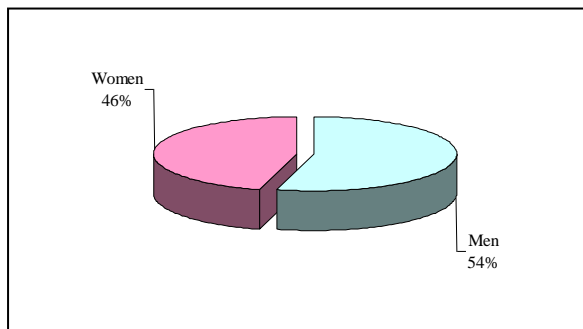


FIG 1. GENDER

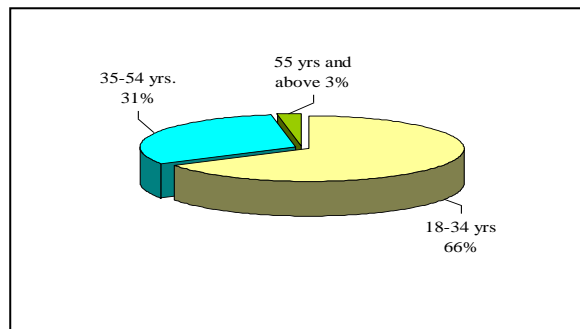


FIG 2. AGE

**3. Question: "Marital Status".** From the total respondents (1,200 persons), it showed that 56% were single, 41% were married and 3% divorced (Fig. 3).

**4. Question: "Skills/Knowledge".** From the total respondents (1,200 persons), the result showed that 53% were at the level of Universities / Technological Institutions, 21% were in Secondary Education, 19% in Postgraduate and 7% were PhD. Illiterates and primary education was not found (Fig. 4).

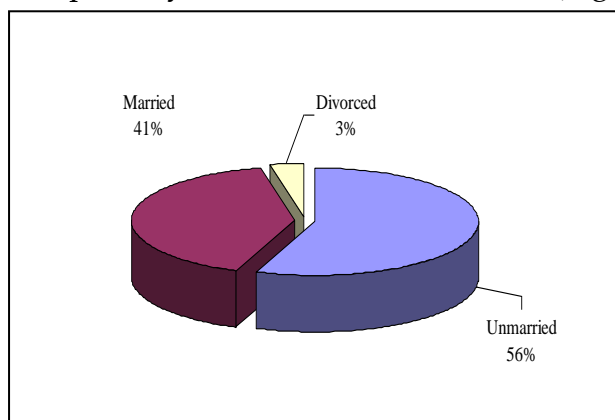


FIG 3. STATUS

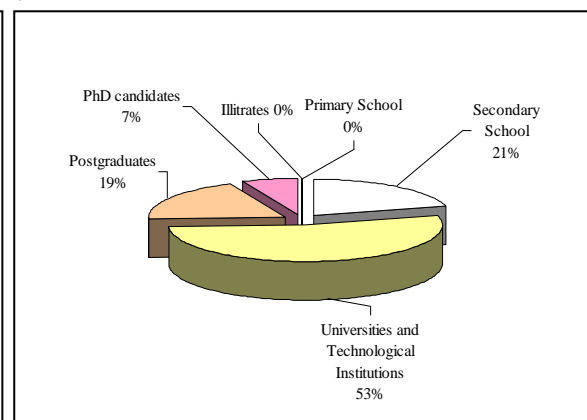


FIG 4. SKILLS/KNOWLEDGE

5. **Question: “Status”.** Out of the total respondents (1,200 persons), it was found that 52% were students of the University of Macedonia, 2% were Administrative Staff of the University of Macedonia, 6% were members of the Academic / Research staff of the University of Macedonia, and 40% were External visitors to the University of Macedonia and customers from four banks visited (Fig. 5).

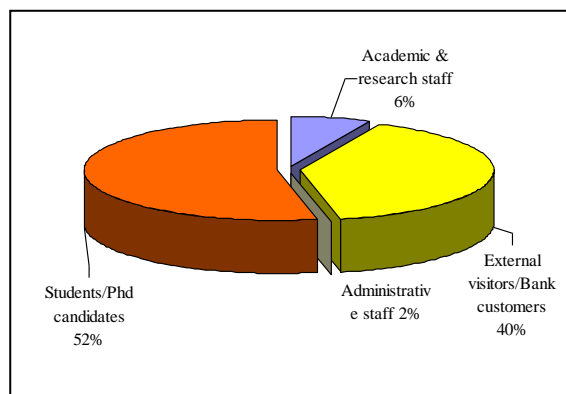


FIG 5. STATUS

6. **Question: “In which bank do you have more transactions?”.** From the total respondents (1,200 persons), the result showed that 42% have more transactions with the National Bank of Greece, 13% with the Agricultural Bank, 12% with Piraeus Bank, 11% with EuroBank, 10% with the Alpha Bank, 9% with the Emporiki Bank, 2% with Egnatia Bank and 1% with Bank of Cyprus (Fig. 6).

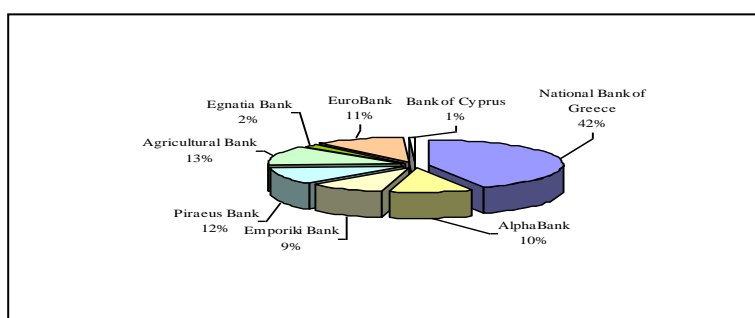


FIG 6. GENDER

7. **Question: “How often do you transact with this Bank?”.** Out of the total respondents (1,200 persons), the result showed that 61% have transactions with the Bank of their choice once a month and 39% more than once a month (Fig. 7).

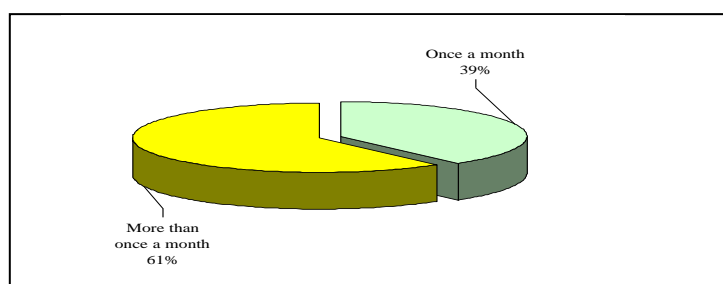


FIG 7. TRANSACTION WITH BANK

8. Question: "Why did you choose this Bank?" (Fig. 8)

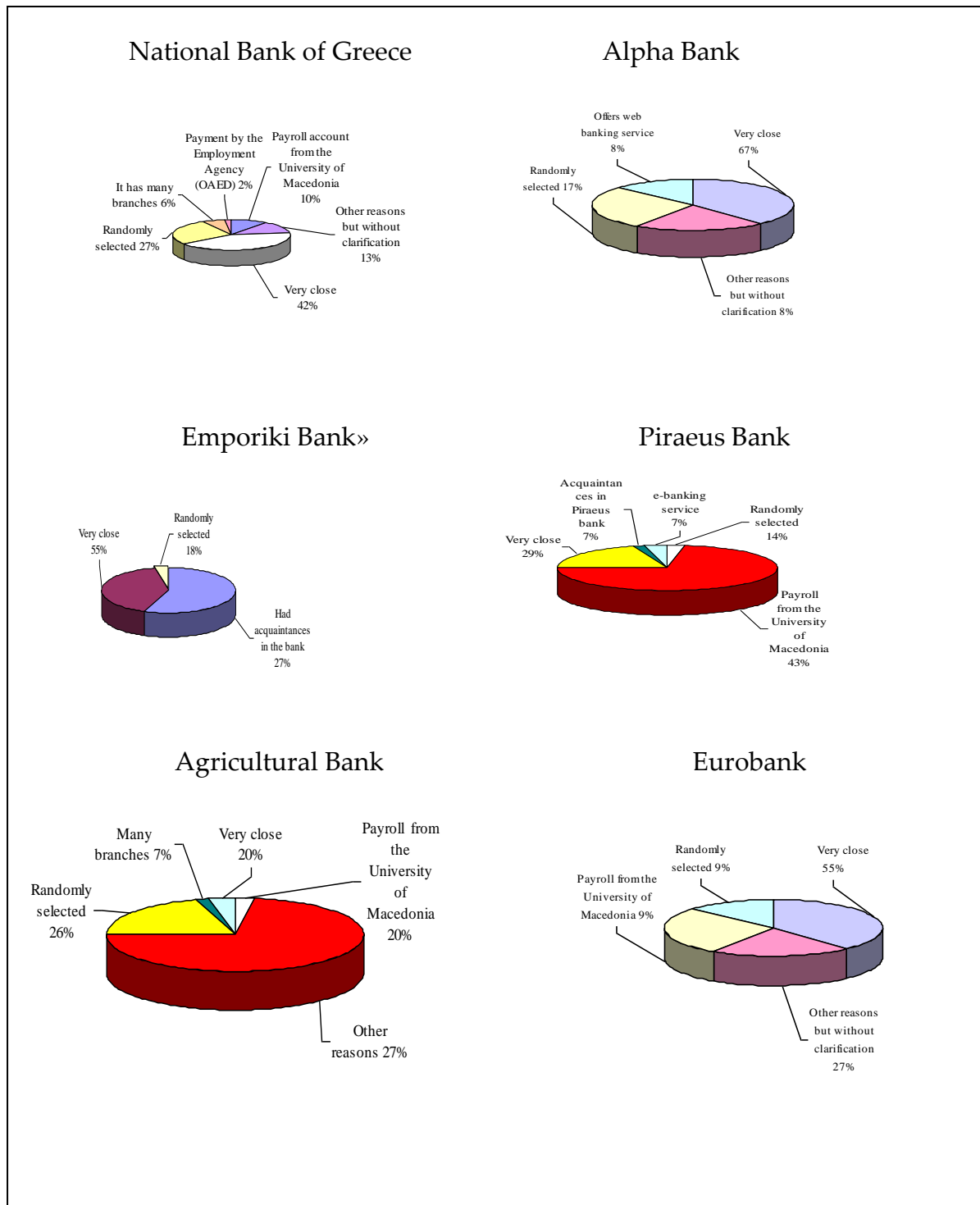


FIG 8. BANK CHOICE





9. Question: "Were you influenced by the name?" (Fig. 9)

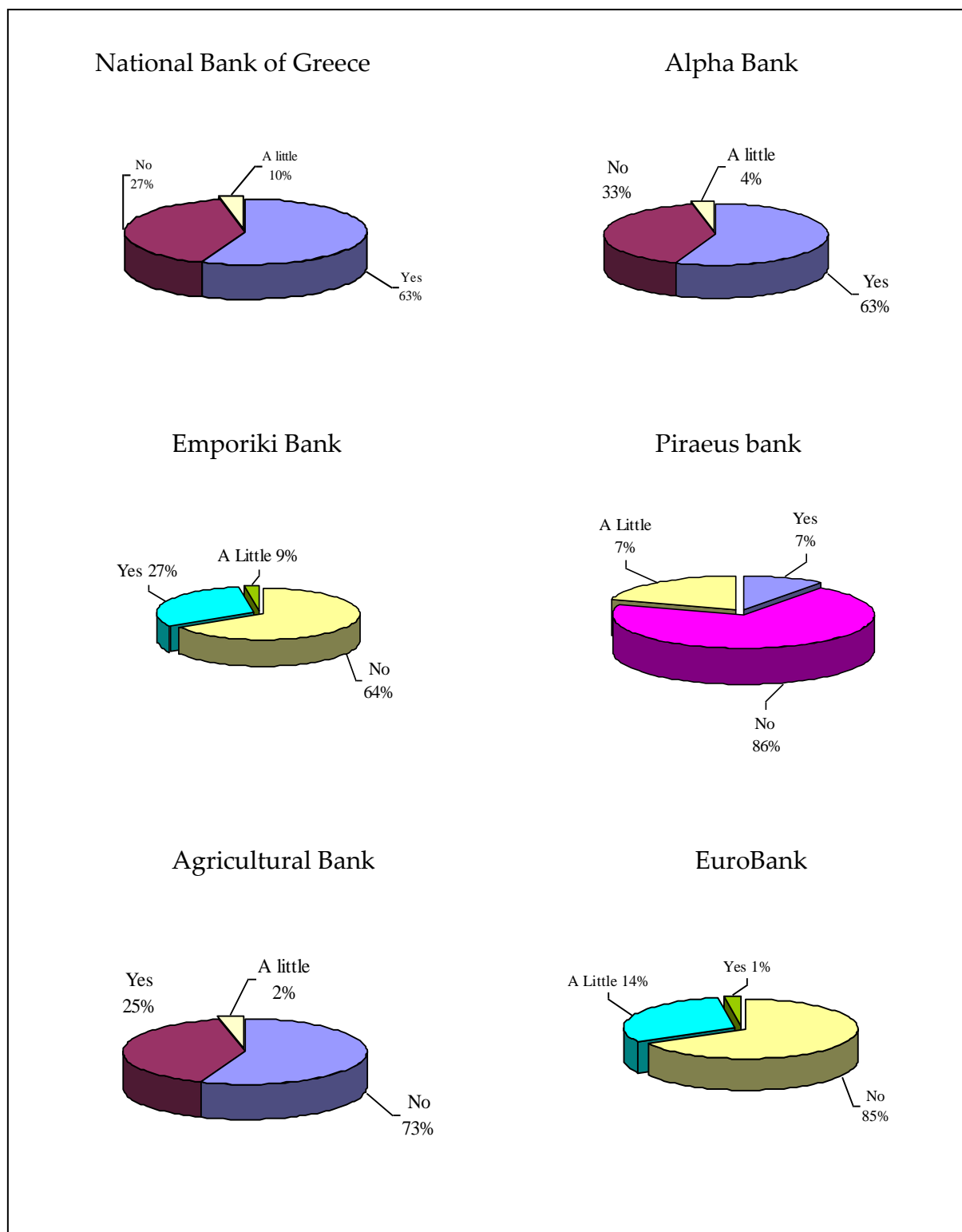


FIG 9. BANK INFFLUENCE

**10. Question: "What do you like most in this Bank?" (Fig. 10)**

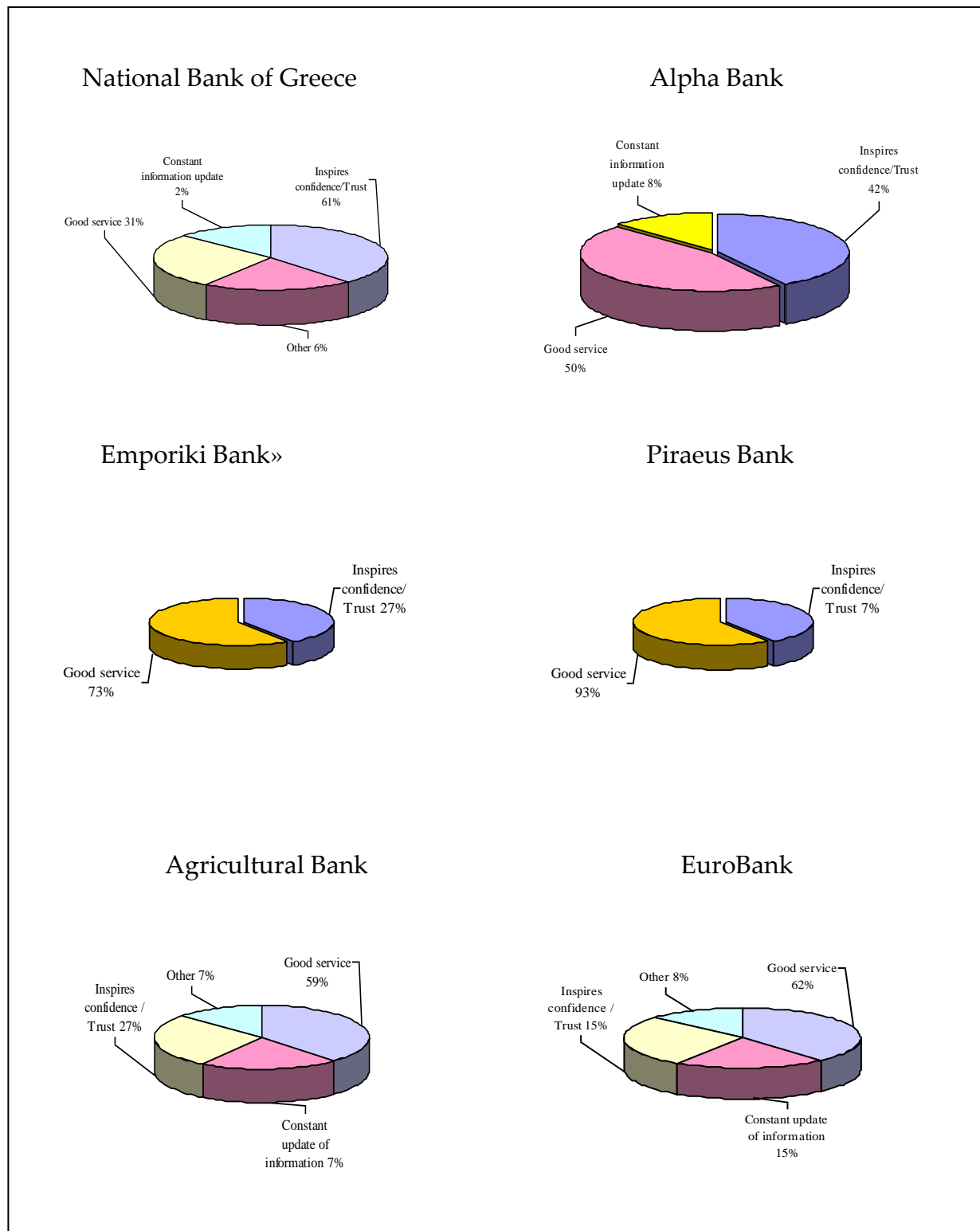


FIG 10. BANK PREFERENCE



11. Question: "What are the things you dislike in this bank and would like them to be changed?" (Fig. 11)

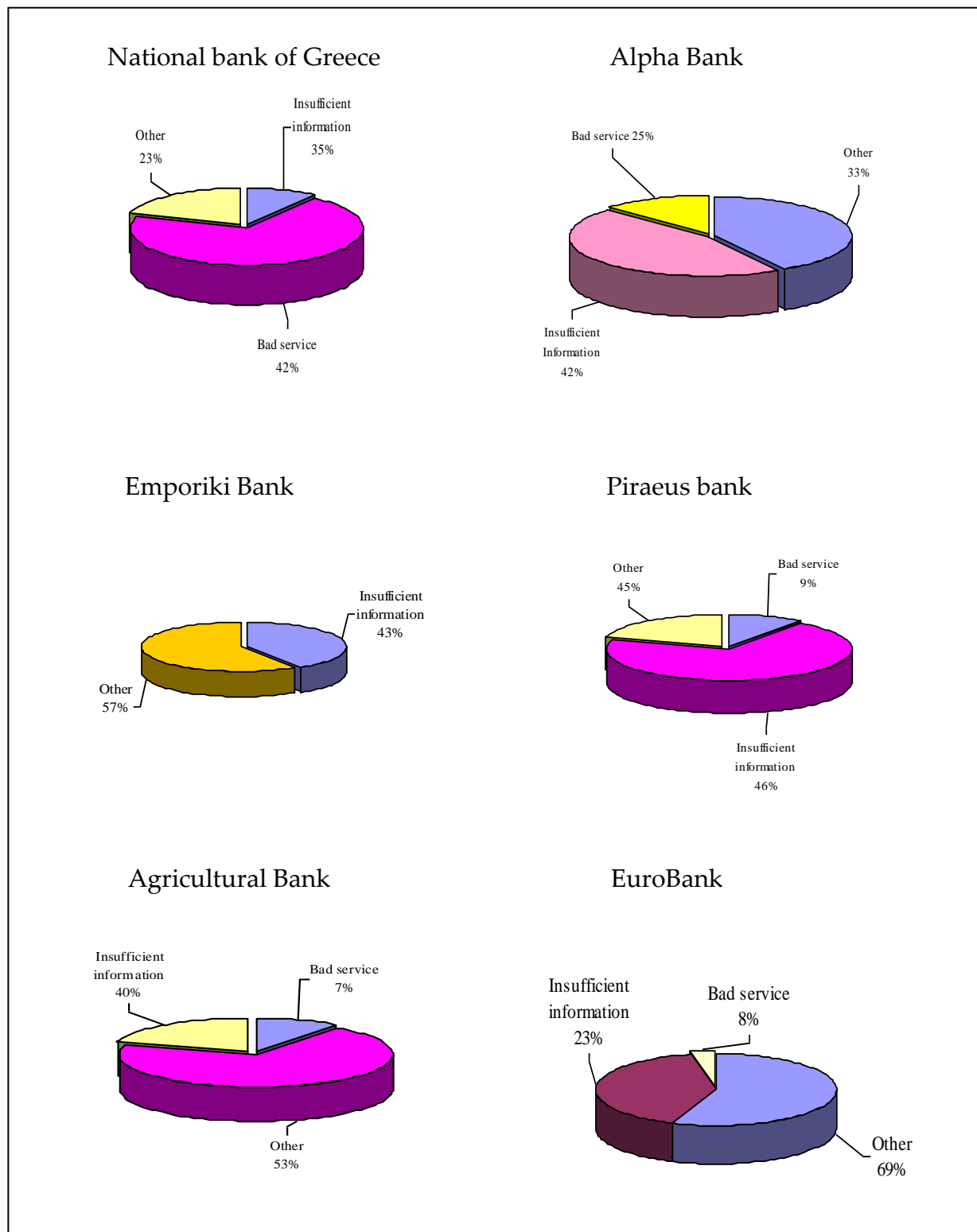


FIG 11. PROPOSAL FOR CHANGES IN THE BANK

**12. Question: "Do you make use of this bank only?".** Out of the total respondents (1,200 persons), the result showed that 69% use more than one bank and 31% use only one bank for his personal transactions (Fig. 12).

**13. Question: "Do you make use of plastic card and ATM machines?".** From the total respondents (1,200 persons), the result showed that 91% have a plastic card and uses the ATM machines while 9% do not (Fig. 13).

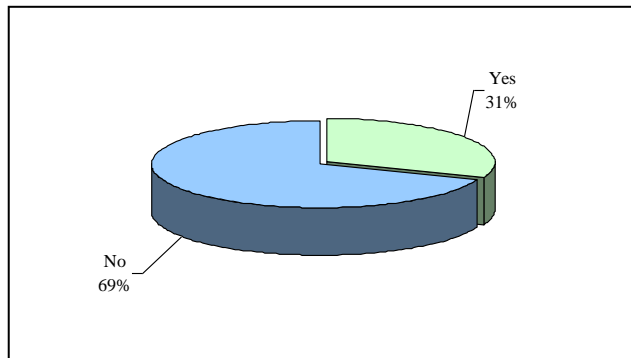


FIG 12. USAGE OF BANK

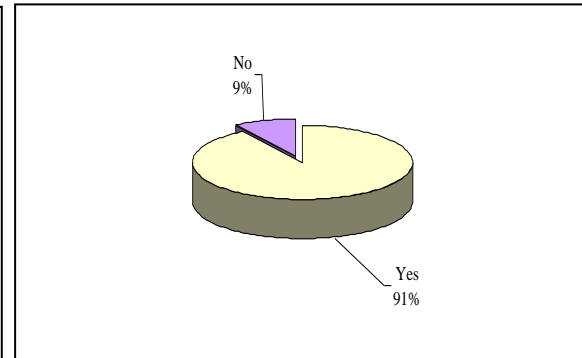


FIG 13. USAGE OF PLASTIC CARD AND ATM MACHINE

**14. Question: "If yes, how often do you make use of the plastic card?".** From the total respondents (1,200 persons), the result showed that 91% have plastic cards and uses the ATM machines. Out of these respondents, 46% uses the plastic card quite often, 41% very often and 13% rarely (Fig. 14).

**15. Question: "Do you pay bills through any bank with plastic card (e.g. telephone, electricity, water, etc)?".** Out of total respondents (1,200 persons), 89% do not pay their telephone, electricity and water bills through any bank while 11% do (Fig. 15).

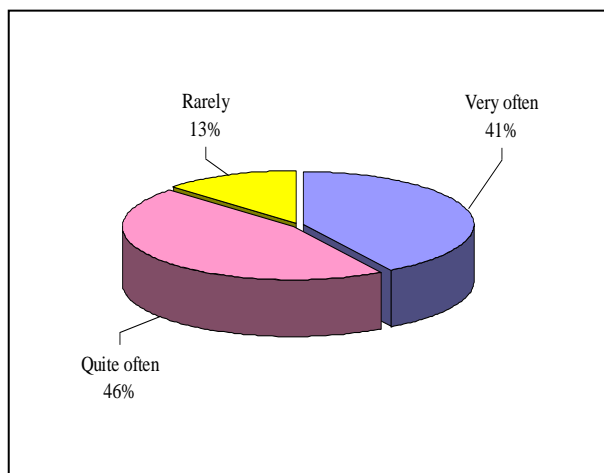


FIG 14. INTERVAL USE OF THE PLASTIC CARD

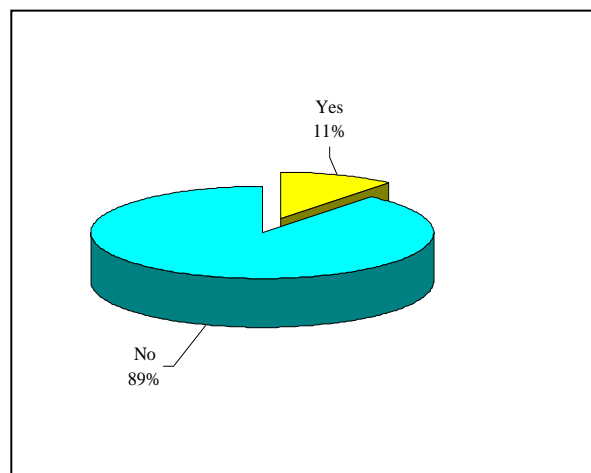


FIG 15. PAYMENT OF BILLS

**16. Question:** *“Do you have a credit card in your name in a particular bank, if yes, how many credit cards do you have?”*. From 1, 200 respondents, 59% do not have credit card in their name in a particular bank, while 41% have (Fig. 16).

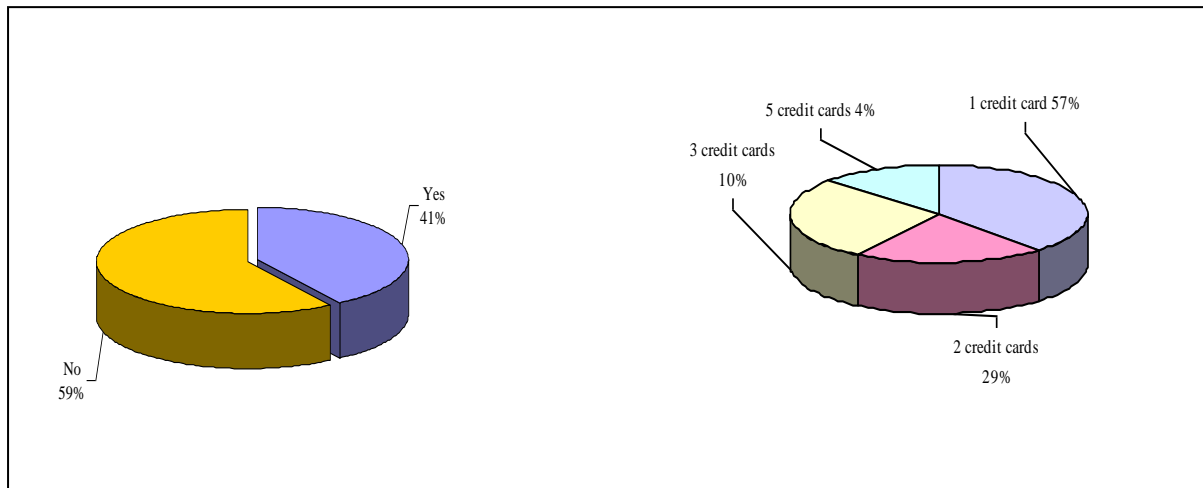


FIG 16. NUMBER OF OWNERSHIP OF CREDIT CARD

**17. Question:** *“Have you taken a consumer loan from a particular bank, if yes, from which bank was it taken?”*. From 1,200 persons, 84% have not taken a consumer loan from a particular bank, while 16% have taken (Fig. 17).

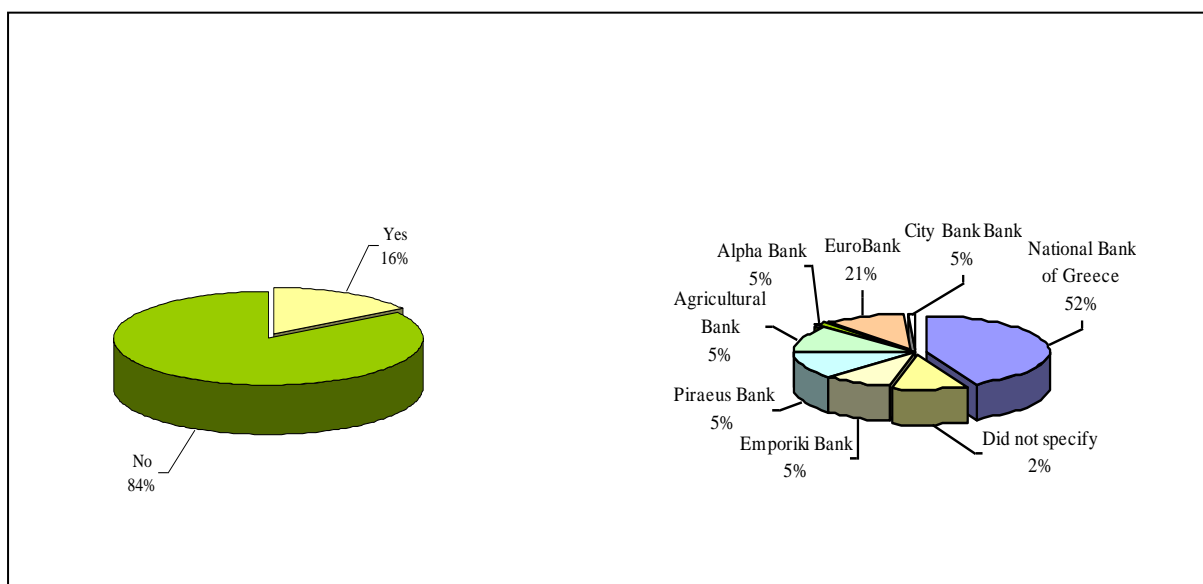


FIG 17. CONSUMER LOAN

**18. Question:** *“Have you taken a mortgage loan from a particular bank, If yes, which bank was it taken?”*. From 1,200 respondents, 86% have not taken a mortgage loan from a particular bank, while 14% have taken (Fig. 18).

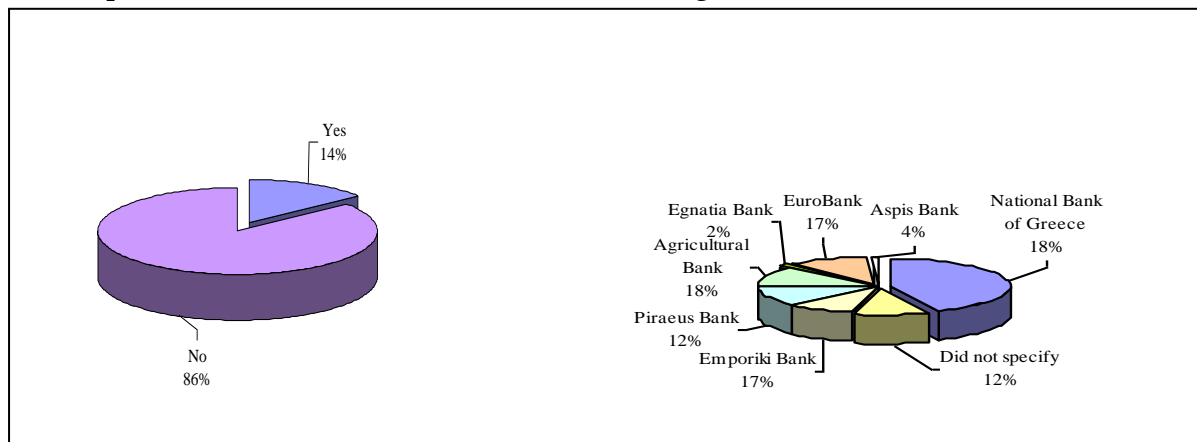


FIG 18. USAGE OF MORTGAGE LOAN

**19. Question:** *“Are you satisfied with the interest rates on your deposits?”*. From the total respondents (1,200 persons), 70% are not satisfied with the interest rates on their deposits, 20% are a bit satisfied, while 10% are satisfied (Fig. 19).

**20. Question:** *“What is your opinion about the questionnaire you just filled?”*. Out of the total respondents (1,200 persons), 72% said they found the questionnaire good, 20% excellent, 3% did not like it, 3% did not answer and 2% said that it could be improved (Fig. 20).

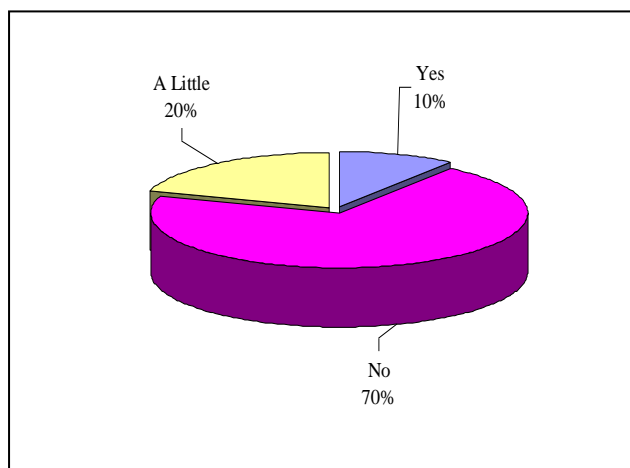


FIG 19. INTEREST RATES

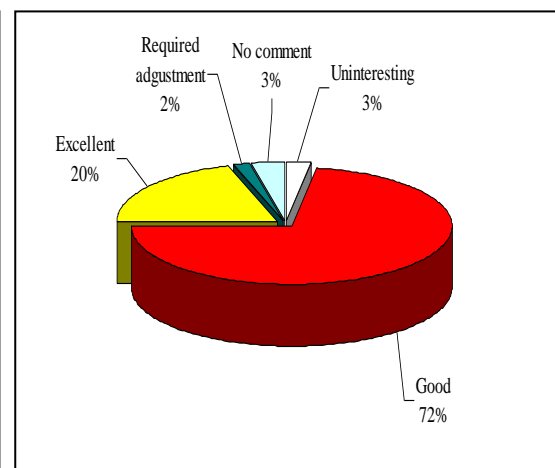


FIG 20. OPINION FOR THE QUESTIONNAIRE

## CONCLUSION

Generally, we can say that compared to the questions set at the beginning of the research, one may arrive at the following conclusions:

- The most popular banks in terms of preference are: (1) The National Bank of Greece, (2) Agricultural Bank, (3) Piraeus Bank and (4) Euro Bank.



- Most customers selected these banks because they have branches near them and thus were better served and not because they were influenced by the name and reputation of the bank.
- The National Bank of Greece and Piraeus Bank inspires much more trust/confidence than other banks, while Piraeus Bank and Emporiki Bank takes the lead in good service.
- The services of the banks that stood out were the plastic card, credit card and loans (consumer and mortgage).
  - ✓ Almost all the respondents use a plastic card.
  - ✓ Almost half of respondents have a credit card in their names.
  - ✓ Almost  $\frac{1}{4}$  of the respondents have taken a mortgage or consumer loan
- The relationship between banks and customers is good and all respondents visit a bank branch at least once a month.
- Almost all bank customers are not satisfied with the interest rates of the banks. In addition, they ask for better service such as: frequent and continuous update of information, the movements of their accounts, interest rates, loans and various banking products.

## **SUGGESTIONS / SOLUTIONS**

### *Customer Care*

From the questions and answers from customers, one may conclude that most of the banks have service problem (particularly, the National Bank of Greece). For many customers to be waiting, this always has a negative effect on them and counts as an ugly experience (Scotland, 1991).

It is understood that delays will affect the valuation/assessment of a consumer as to the accuracy of service, because by definition accuracy refers to the assessment of willingness or readiness, speed at a certain point in time). The problem of delays could be addressed through the recruitment of qualified and appropriate staff. Those providing services should try to reduce delays with the help of corporate research, adoption of latest technology or change the experience of waiting of customers with the help of cognitive or perceptive management so that uncertainty will be reduced. We should not forget that the adoption of the latest technological advances in the banking sector is essential both for better and faster service and for more security in transactions (Berry & Parasuraman, 1992).

### *Lack of Communication*

Through the research, an additional conclusion tells us that most banks lack update of information. In other words there is no communication between the bank and

customer. The information for transactions on the strategies that they follow as regards to interest rates, loans, the various banking products helps to build confidence, exploitation – investment of their money. Moreover, correct and adequate information is necessary in understanding, in terms of customers, new technology, which the bank is likely to introduce.

The solution to the problem could be addressed through diverse information, correct and in different ways. Specifically, one way is through correspondence, the distribution of printed materials to inform customers each time for a new product, a possible change, an entirely new strategy.

Another good idea would have been the presence of pamphlets at various points inside the bank for various activities of the bank either on the financial-banking sector or in other areas. Thus, a customer will have the potentiality to choose the pamphlet that interests him and will enlighten him on the loans, investments and any other product (Morgan & Hunt, 1994).

### *Satisfaction of Customers*

In summary, we could determine the value and importance of our work in that the increase of a bank's customer is directly linked to, as much as possible, greater of our customer's satisfaction. This satisfaction consists of many factors such as: good service-which means to show courtesy (politeness) during transactions and speed (as much as possible minimizing bureaucratic procedures) and, accurate and adequate information (Malliaris, 2001).

Finally, we arrived at a general conclusion that increasing the customer of a bank is a function of reducing transaction costs, satisfaction of specific customer needs of modern technology and promoting new or existing banking products.

Among others, we empirically realized that customers are different (unique) and that it is important for a bank to know their needs so as to give them a maximum satisfaction. Furthermore, we realized that customers appreciate and seek quality service in their transactions and are not merely just the name and reputation of the bank (Lazos, 1990).

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