

Marketing-Driven Factors Influencing Savers In The Hellenic Bank Market

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Abstract

This paper studies the influencing factors on bank savings customers' decisions regarding selection of a bank, in the Hellenic bank market. An empirical study was conducted on 811 bank customers in the greater Athens area. Results point to similar conclusions with prior studies conducted in the U. S. and Europe. discussion of results also refer to different consumer perceptions of Greek public, private and foreign banks operating in Greece, as well as to the identification of reasons for switching a customer's main bank.

Introduction

By the end of the 80s, savings accounts (blocked and time) in the Commercial Banks and Special Credit Institutions (e.g., Investment and the Post Office), were the only legal outlets for savers to direct their liquid assets. On the other hand, savings accounts comprised the main source of fund raising for all credit institutions according to both their medium and long term credit policies. In 1994, the total private placements to Commercial Banks totaled 2,546.2 billion drs (approximately \$7,275 million), of which savings accounts reached 2,152.1 billion drs (approximately \$6,148 million). Gradually, other kinds of funding, supplementary to savings, emerged, such as the bank bonds, the percentage participation of which to the total savings investments was limited and gradually diminished from 6.2% in 1987 to 4.8% by 1992. Therefore, savings deposits were deemed, and

still are, a continuous money pool for the banks. Banks use this pool to cover their financial needs for the various investment plans.

The banks approached their depositors by attempting to differentiate themselves mainly based on the extensive branch network and their historical contribution to the process of development of the national economy. It is worth noting that consumer selection of a bank was very limited in terms of options, since the range of interest rates (pricing) for the same banking products (e.g., deposits) was dictated by the national central bank, the Bank of Greece. The main reasons for the selection of a bank were therefore extensive branch network, and/or the public's sentiments of trust to state-owned banks especially. One could assume that, besides these two possible reasons, other main reasons could have been used by savers, but banks' top management executives had never paid any attention to possible selection criteria, something that could be attrib-

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uted to the lack of any serious competition in the banking industry prior to its deregulation.

Traditionally, commercial banks accounted for the major part (70%) of all savings accounts, while the rest 30% was directed to the Special Credit Institutions. For many decades, the National Bank of Greece was the main savings deposit pool (75%), mainly due to its substantial contribution to the national economy, both in terms of industrial and bank development. The gradual market entrance of other banks, both state-owned and private, both Greek and foreign, ultimately changed the market scene. In 1992, the National Bank of Greece accounted for 32.62% of total savings deposits, followed by the Agricultural Bank (11.72%), the Commercial Bank (9.93%), the Credit Bank (2.19%) and the Ergo Bank (2.19%). In terms of the special credit institutions, the Post Office Bank accounted for 7.36% of total savings deposits and the Mortgage Bank for 11.72%. All foreign banks accounted for 8% of all deposit accounts (with the notable exception of Citibank which had captured a 2.5% market share by itself). By 1995, the aforementioned market shares had approximately remained the same.

Today, banks are faced with intensified competition in the savings accounts market. The high degree of competition intensity is not only attributed to the increased number of competing banks, but also to similar insurance companies' products, as well as to other supplementary and similar newer products, like CDs, Bonds, Treasury Bills and Mutual Funds.

As basic deposit services have remained unchanged over the years, today banks are focusing most of their competitive efforts on the fields of physical presence (branch network development in very attractive locations) and promotion, as well as in offering supplementary services and customer service, in order to differentiate themselves from each other, and thus for each to acquire a distinct positioning.

Literature Review

A vast number of earlier studies dealing with the topic of bank selection criteria was carried out in the U. S., Europe and Canada. It is worth noting that no relevant published work to date has appeared concerning the Hellenic bank market.

Louis Harris and Associates, Inc. (1970) in the U. S. found that a good reputation is the most decisive selection criterion, while location, personal rapport and the offering of a full range of services are deemed the most important by the consumers. Allaire (1972) also concluded that factors like convenience, security, bank's personnel and interest rate, were the most important bank selection criteria. Anderson et al. (1976) found that convenience appeared to be the most determinant factor for both convenience-oriented and service-oriented bank customers. Calantone and Sawyer (1978) in the U. S. and Rigall (1980) confirmed that the convenience factor is most important for bank customers, followed by friends' suggestions and low service charges. However, Stanley et al. (1980) in Memphis, examined high-income consumer perceptions. It was shown that this type of consumers prefers a high quality of personalized service, rather than convenience. Lewis (1982) found that home or work locational convenience and recommendations by friends and family, were the most decisive bank selection criteria. Bank advertising and promotion techniques were shown to have less of an impact on the final choice of the client. A Unidex Reports survey (1982) showed that the U. S. clients when choosing their banks are primarily influenced by locational convenience and personal service factors. Martenson (1985) found that despite the fact that Swedish consumers did not select their bank consciously, the most relevant choice criteria to them were bank location, availability of loans, payment of salary, and parental influence. Hood and Walters (1985) also found that bank selection was made on the basis of convenience and personal recommendations. Laroche et al. (1986) in Montreal, showed that the convenience of location out-weighed all the other possible selection fac-

tors. It was however followed by friendliness of staff, banking hours, personnel efficiency, and length of queues. A 1988 survey by the Italian Banking Federation found that Italian bank customers select their bank primarily being influenced by the location convenience, family tradition, recommendations by friends and parents, and bank reputation.

Although it is true that the number of bank selection criteria examined in many studies is enormous, the majority of the studies concluded that most important of these factors are: convenience, bank reputation, quality of products and services, interest rates and fees, as well as education and personnel contacts, facilities, branch environment, services and after-service satisfaction.

Research Objectives

The objectives of the present study are to: (a) identify the important bank selection criteria that urban consumers of savings accounts (time - blocked) use in the Hellenic market, and (b) determine the degree of customers' satisfaction from their banks.

Methodology

Sample

According to Bank of Greece statements, the Greater Athens - Piraeus area (Attica prefecture) accounts for 48.7% of the total deposits in the country; 48% of which constitutes savings accounts. Since almost 50% of Greek savers reside in the Attica prefecture, it was deemed sufficient to focus the present research within this area, assuming that results from this study would most likely apply to the country as a whole. From a statistical point of view, the sample comprised of 811 bank customers who completed the questionnaire. Significance of the statistical results were based on the 99% probability level. A maximum variance and an allowable error of 5% in the parameter estimation were assumed. Sample members were randomly selected, in 71 different bank branch locations in the Athens-

Piraeus metropolitan area. It should be noted that within this area, about 600 branches operate, both of Hellenic and foreign banks. Participants in the study were approached in directions opposite to bank branches, and completed a pre-constructed questionnaire during a personal interview.

The Questionnaire

The questionnaire consisted of fourteen questions, eight of which were closed, three were open, and three were questions asking about the respondents' selection of banks. One of the questions was asking for the degree of importance of twenty determining bank selection criteria. The questionnaire was divided into five parts: (1) saver's satisfaction with banks in general, (2) importance of bank selection criteria, (3) bank switching, (4) name of saver's primary bank, and (5) demographic characteristics of respondents. Table 1 presents details on the questionnaire items.

The necessary questionnaire pre-test was carried out with 80 interviews (about 10% of the total sample), in ten different areas of the Attica prefecture. The responses were positive, and only minor changes were made according to insignificant problems that were identified.

Analysis & Results

The analysis of the responses showed that overall, bank savers in Greece maintaining accounts in public and private banks are quite satisfied with the services offered by their personal banks. Additionally, bank savers who keep accounts with foreign banks operating in Greece, are more satisfied with the services offered by them.

Table 2 presents the results regarding bank savers' primary reasons for selecting their main bank for their savings deposits (selection criteria), while Table 3 provides the most important reasons for bank savers switching of their main bank.

Table 1
Questionnaire Items

(1) Saver's satisfaction with banks in general

Main reason for selection of personal bank / saver's degree of satisfaction from personal bank.

(2) Importance of bank selection criteria

Convenience of location - home and work / quality of service, bureaucracy, queuing / sentiments of trust / reputation / bank ownership, public-private-foreign / friendliness of staff / attractiveness of branch / hours of service / extension of branch network / bank technology / "full service" offering / service charges / influence of relatives / automated outlets / salary - pension / safety of funds / size of bank assets / advertising / efficiency of placing investments and bank's contribution to economic and social development (involvement in community activities).

(3) Bank switching

Possibility of switching / thinking of switching / name of the "ideal" bank / time of opening savings accounts / frequency of visiting banks.

(4) Name of saver's primary bank

Main reason for selecting primary bank / name of saver's secondary bank / main reason for selecting secondary bank.

(5) Demographic characteristics of respondents

Sex / age / education / marital status / occupation / monthly income.

Comparing public, private and foreign banks, the following results are indicative. Public banks were selected by savers primarily because of their extensive branch networks, and the large number of ATMs they operate. The quality of services, bank products and services offered, are not as important to them. Public banks are more preferred by female rather than male savers, whose monthly income ranges between 100-200,000 drs. Private banks have been selected by savers who are more interested for better bank products and services, personal services, and extensive branch network. Private banks are more preferred by male savers, whose monthly income lies in the 200-300 category. Finally, foreign banks operating in Greece have been selected by savers who consider most im-

portant criteria such as top quality services, and modern and more sophisticated bank products and services. These savers appear to be quite indifferent about a bank's branch network. Foreign banks are mostly preferred by male savers whose monthly income exceeds 300,000 drs.

It is not surprising that public banks' customers are very loyal to their banks. The majority of them have never switched their primary bank, nor they have ever thought of switching. On the other hand, private bank customers have already switched to them from other banks. Some customers that have not already switched banks, consider switching so that they will satisfy the major reasons for selecting a primary bank, especially the criterion of personal

Table 2
Most Important Bank Selection Criteria

Primary bank selection criteria for savings accounts	%
local convenience, branch closer to home / work	29,2
quality of services	23,5
consultation and services offered	8,6
bank reputation, trust, and well-known name in the market	9,3
ownership status	1,6
loans, credit cards	3,9
interest rates	6,3
bank's relationship with their company	3,9

Table 3
Reasons for Savers' Switching of Primary Banks

Bank savers switch their main bank for another when they can find:	%
better quality of service	15,0
extensive branch network	5,8
better personal contacts	1,7
bank's relationship with their company (payroll, etc.)	1,7
issuing credit cards	1,4
fewer strikes	1,1
convenience reasons	3,7

service. Personal dissatisfaction with their primary bank was the main reason for current customers of private banks to switch. They are still ready to switch banks again, as soon as they experience personal dissatisfaction or loss of quality of bank products and services.

About half of the savers interviewed hold a second savings account with another bank, other than their primary one. Reasons for that are: better service, extension of branch network, recommendations of relatives and friends, issue of credit cards, and collaboration of their company with the bank (payroll, etc.). For secondary savings accounts, savers prefer the two biggest public banks, i.e., National Bank and Commercial Bank. Credit Bank is the most preferred among savers that are clients of private banks. In addition, Citibank is the main foreign bank chosen by the majority of bank savers. Citibank

is also the ideal bank for the majority of bank customers.

In terms of main bank switching in general, savers' most preferred switch was to a private bank (i.e., Credit Bank, Chios Bank, Ergo Bank), secondly to a foreign bank (i.e., Citibank), and followed by switching to a public bank (especially the biggest state-controlled banks, i.e., National, Commercial, Ionian and Agricultural Bank of Greece). More specifically, savers doing business with public banks would most frequently switch to another public bank rather than a private one. Bank savers with private banks would switch to another private bank. Foreign bank clients would switch to another foreign bank or secondarily to a private Greek bank.

In terms of demographic characteristics,

certain differences were identified as follows. Private banks are usually selected by young savers, who are self-employed and single. The majority of these savers are interested in the high level of quality of services offered by private banks. They are prone to switching their bank in case that they will find a higher quality service elsewhere. They are interested in 24-hour service, as well as in modern bank products and services. Finally, they rarely visit their bank. On the other hand, public banks are mostly preferred by savers aged over 45 years, married and free entrepreneurs and businessmen. They do not care much about 24-hour service and ATM facilities provided.

Low-income (up to 200,000 drs monthly) bank savers are younger in age and predominantly single. They work for private and public companies and mostly select a public bank as their primary bank. They are generally unwilling to switch their main bank, which they anyway visit rarely. On the other hand, bank savers of higher income prefer private and foreign banks, which they visit frequently. It is also worth noting that they have opened their savings accounts at least ten years ago. In terms of occupation, business people at the higher income levels, are more interested in advanced bank products and services. Most of them are male, who visit their bank at least once a week.

As far as savers' satisfaction is concerned, it was found that both businessmen and company employees are generally dissatisfied with their banks' services; an exception being the public employees. Although public employees are satisfied with the services and products of their bank, they are impressed by the image of a dynamic, technologically advanced bank, one that has pleasant and comfortable branches. Non-working savers (i.e., pensioners, students) are generally satisfied with their bank, which they rarely visit. They are not seeking any quality of service, nor are they interested in using ATMs. Bank selection by them is mostly influenced by a relative (i.e., parent, husband, wife).

University degree holders usually select

a private or a foreign bank as their primary one. They may switch banks easily and frequently while seeking better quality of service. Savers with technical education backgrounds mostly select public banks, and are interested in ordinary bank products and services. Many savers with secondary-school education level select private banks. Elementary school savers select a public bank.

Finally, it was found that the specific geographic area in which the bank saver resides is not an important factor for bank selection. Similarly, advertising and promotion by banks do not seem to be important bank selection factors either.

Conclusions

Overall, the results of the present study are quite similar to the findings of previous work in the area. Bank selection criteria like location-convenience, quality of service (attention to the customer, personalized service, no queues) seem to influence Greek customers of banks as much as they do other customers internationally. Factors like advertising and residential area do not seem to influence bank customers as much if at all, both in Greece and worldwide. In general, the Greek bank customer seems to behave in a similar way to bank customers of advanced bank markets, who are seeking good service in a safe, fast, and technologically modern environment. This fact also explains that over 50% of Greek present bank customers have switched banks; a switch being made from state banks to private and foreign banks. Fifty percent from those that have switched, opened their accounts at least 10 years ago, at which time, bank customers in Greece had a very limited choice set. Since deregulation in 1990, customers who have been traditionally loyal to the state banks for many years, have switched to private and foreign banks. Unfortunately, no bank marketing surveys were conducted before 1990, therefore, it is virtually impossible to make more specific comparisons.

For many years commercial banks in


Greece used to offer the same bank products and services to all bank customers. The increase of competition, particularly after 1990, seems to have lead the banks to reorganize their services structure in order to "discover the bank customer" (Potenza 1990). As the banking institutions are now attempting to differentiate themselves from each other, a new era has arrived which would be proven essential not only for the institutions' market success but for their actual survival. Bank managers are now forced to adopt the bank marketing philosophy, aiming at identifying and satisfying the specific needs of bank customers.

The gradual changes in consumer behavior, the internationalization and unification of money markets, the development of new technologies in both information and communications systems (Laboul 1981), force banks in the local market to apply strategic bank marketing practices similar to those applied in advanced banking markets (e.g., extending bank services, entry into new markets, diversification of bank products, electronic banking, etc.). As changes in the broad financial fields accelerate and business activities converge, such as insurance companies and banking institutions - bank assurance, it is imperative to differentiate bank savings products from other similar or complementary ones which are offered by the same banks or their affiliates.

Bank marketing has started to be very essential to the Hellenic bank industry. Today, the major aim of bank managers is to concentrate on the development, effectiveness and success of the various bank products and services offered to special market segments, with specialized and, in main cases, individualized needs.

Suggestions for Future Research

Future research attention should focus on the examination of bank consumer attitudes toward competing banks in the Hellenic market. Attitudes could be measured periodically in order to project trends in bank customers' level of satisfaction with different types of banks (public, private, foreign). Meaningful conclusions could

also be drawn from studies that would deal with the segmentation of the Hellenic bank market. It is expected that differences exist in terms of: (a) bank selection criteria used and (b) factors of satisfaction with a bank, among the different segments of the market. Important strategic implications would directly draw from the identification of such differences. 

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