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# Corporate image in Romanian retail banking market

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*Many banks are facing with identity crisis and increased customer migration rates that negatively affect the level of business profitability. Gaining customer loyalty becomes a key objective for banking companies that are focused on sustainable marketing and customer oriented business philosophy. In the retail banking practice, there are various evidences that corporate image is a main determinant of customer loyalty. Image highlights a cumulative construct that is updated each time the customer experiences specific services. The present study contributes to marketing literature and banking practice by providing qualitative evidences about the corporate image of banking organizations acting in the Romanian retail sector. Results show that Romanians value judgments are determined by various attributes related to a bank marketing-mix policy, from product quality and services to price levels, staff competence and the effectiveness of delivery and communication methods.*

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### **Introduction**

Sustainability requirements have become increasingly important in shaping business development in order to achieve economic growth, environment protection and social progress (Baleanu et al., 2011). According to the definition of the World Commission on Environment and Development, sustainable development means economic development that meets the needs of present generation without compromising the ability of future generations to meet their own needs (WCED, 1987).

The banking sector, as one of the cornerstone industries, has a significant role to play in all countries future development (Iamandi and Constantin, 2011). Sustainability banking is a philosophy that underpins everything about banking, a value system that says a bank's commercial activities must not only benefit its staff and shareholders, but also its customers and the wider economy, while at the same time preventing, or at least minimizing, any undue effects on society and the natural environment (Imeson and Sim, 2010).

Sustainable marketing approach emphasizes value creation, added value delivery to customers and the transformation of the traditional customer relationship into long-run, mutually beneficial partnership (Vagasi, 2004). Therefore, in designing sustainable marketing policies, banking organizations must balance organizational profits with customer financial needs and society interests (Stancu et al., 2011).

The main dimension of a bank's marketing sustainability plan is managing the impact that its products, services, technologies and customer relationships have on the local and global financial market (Iamandi and Constantin, 2012). Consequently, banking companies should aim to supply customers what they want fairly, transparently and responsibly, while also taking into account other stakeholders interests such as good working conditions for staff and profitable growth for shareholders (Moise et al., 2012a).

In this context, relationship marketing and customer relationship management theories become the main tendencies that provide a framework for sustainable marketing in the banking sector. Furthermore, achieving long term customer relationships has become a fundamental objective in retail banking industry as a result of developments in the fields of technology and competitive business strategies (Filip, 2011). Because of economic and social transformations, many banks are facing with increased customer migration rates that negatively affected the level of business profitability, fact which led to the awareness of achieving a more stable customer portfolio. Therefore, gaining customer loyalty becomes a key objective for banking companies that are focused on sustainable marketing and customer oriented business philosophy. The loyalty effects are favorable for companies in terms of business safety, higher growth rate and positive image (Reichheld, 1996).

A comprehensive definition of customer loyalty is given by Bloemer et al., who state that: customer loyalty is “the biased (i.e. non random) behavioral response (i.e. revisit), expressed over time, by some decision-making unit with respect to one bank out of a set of banks, which is a function of psychological (decision-making and evaluative) process resulting in brand commitment” (1998).

Understanding customer loyalty and its prerequisites is a difficult task for companies, which may be achieved by constant efforts in researching consumer behavior (Filip, 2011). Service quality (Georgescu et al., 2011), customer satisfaction, relational benefits, trust, commitment and image (Grigore and Stancu, 2011) are generally accepted determinants of customer loyalty in many service industries (Bendapudi and Berry, 1997).

According to Worcester (1997), retail banking organizations have been suffering from an identity crisis and image research studies should be undertaken with the aim of providing information that is as strategically important as financial performance data.

In the banking practice, there are various evidences that, additional to other factors, customer loyalty may also be determined by image (Mazursky and Iacoby, 1986; Osman, 1993; Murphy, 1996).

Various definitions of image are found in the marketing literature. Image has been described as an attitude (Hirschman et al., 1978), as subjective knowledge (Boulding, 1956), as the overall impression left on the minds of customers, as a “gestalt” (Zimmer and Golden, 1988) and as an “idiosyncratic cognitive configuration” (Mazursky and Iacoby, 1986). Image formation is a procedure by which ideas, feelings and previous customer experiences with an organization are stored in memory and transformed into meaning based on stored categories (MacInnis and Price, 1987). The customer, exposed to realities created by the company will select the symbols through which image is formed (Nguyen and LeBlanc, 1998). Image highlights a cumulative construct that is updated each time the customer experiences the services. Therefore, a company will have a strong image if customers believe that they are getting high value in the business relationship (Barich and Kotler, 1991). Value judgments are determined by various attributes related to a company marketing-mix policy, from product quality and services to price levels, staff competence and the effectiveness of delivery and communication methods.

Due to all previous arguments, in the retail banking sector, a favorable image is considered a critical aspect of a company’s ability to maintain its market position, as image has been related to core attributes of organizational success, especially to customer patronage (Korgaonkar et al., 1985, Moise et al., 2012b).

In this context, the purpose of the present research was to investigate the overall image of the Romanian banking sector and its players among retail customers, considering that bank image is an indicator of customer oriented business philosophy and sustainable marketing. Next sections will focus on research methodology, practical results and paper contributions.

### **Research Methodology**

The objectives of the direct marketing research relate primarily to understanding customer perceptions about the overall efficiency of the banking sector in Romania compared both with other European countries and with other economic sectors in the country; finding out which are consumers' opinions on the customer oriented business philosophy of banking organizations; determining consumer perception about the overall quality of the Romanian banking products, banking fees and charges, bank staff competence, communications methods and delivery channels of the banking services; identifying Romanian banks awareness and customer knowledge on banking products and finding out which are the sources of information used by individuals when researching the banking market.

The method selected for achieving the research aim and objectives was qualitative in nature. In-depth interviews were conducted due to consumer heterogeneity in terms of opinions, attitudes and behaviors towards banks. According to Birn, (2000), an in-depth interview is used when detailed behavioral or attitudinal information is required, or a particular decision process needs to be understood in detail.

In qualitative research, the sample is small; it doesn't ensure data generalization and it is structured according to the collectivity's characteristics. It may be called 'judgment sample' because the researcher states the selection criteria and chooses the persons that are most appropriate to provide necessary data, according to research objectives (McQuarrie, 2006).

For the present study, the sample consists of forty individuals, over 18 years old who are consumers of banking services, residing in urban areas. Interview participants were selected based on diversity in order to obtain the widest possible range of responses and to capture the variety of consumer perceptions and motivations. Consequently, persons participating in the interviews were selected mainly by

applying demographic criteria, the most important in differentiating respondents' opinions being considered gender, age and income level. A behavioral criterion was also considered; therefore all research participants were people who have experienced various banking products and services, having contractual relationships with at least one bank in Romania. Such a condition, in addition to the minimum age of 18, is needed to ensure that all participants have previous perceptions and attitudes toward banks due to their consumption experience.

Structurally, the group contains an equal number of men and women, but the percentage of people of middle age and average income is higher, given the importance of these customer segments for the banking companies. Thus, depending on the age criterion the group includes: 5 persons in the category 18-25 years, 12 individuals in each of the segments 26-35 years and 36-45 years, 5 persons in the category 46-55 years and 5 people aged over 55 years. Depending on the net monthly income on family member the group includes: 5 people with incomes below 500 Ron and 5 people with incomes over 4000 Ron and 10 persons for each of the income classes 500-1000 Ron, 1001-2000 Ron and 2001-4000 Ron.

The activity of respondents' recruitment was conducted with the help of a selection questionnaire that served at choosing the participants according to the sample structure. The questionnaire included both filter and demographic questions and was applied in high traffic areas and at the branches of different banks.

The interview guide comprised several topics, approached by open-ended questions that let individuals the possibility to express freely their opinions and perceptions. To investigate thoroughly some topics, there were used probing questions that permitted researcher to understand specific responses and to deepen the investigation (Anghel et al., 2009). The interviews lasted around one hour and a half each, were tape recorded and took place during May 2012, in the research

laboratory of the Marketing Department from The Bucharest Academy of Economic Studies.

After transcription of interviews recordings, the content analysis was applied. A number of themes, variables, attributes and key words were identified from the analysis, they were coded and their frequency was evaluated.

### **Results**

In order to identify consumer perceptions about the overall efficiency of the banking sector in Romania, the specific market was initially compared with the banking industry in other European countries and then to other sectors of the national area.

Thus, compared to other European countries, with direct reference to those with a higher degree of macroeconomic development, the Romanian banking system is considered by most individuals (twenty-four respondents) as being less effective. A number of twelve people see the system as having a similar efficiency and only four individuals identify a higher level of effectiveness, which is especially argued by the stability of the sector during the global economic crisis. As shown in the present research, consumer perceptions are affected by the less favorable and generalized image of the companies operating on the Romanian market compared to those of other European countries, due to lower performances recorded by the Romanian macro economy.

Respondents who indicated a similar or higher level of efficiency of the domestic banking sector have shown some deeper knowledge about the performances and market activities of international banks both in Romania and other countries where they are present in subsidiaries and branches.

Interesting to note is that, although it has a less favorable image than other countries in the region, the Romanian banking system is perceived by most consumers as registering a higher efficiency



compared to other economic sectors in the country, noting for example, the comparison with medical services, insurance market, transport industry, etc. Therefore, according to the frequency of responses, twenty-eight respondents reported higher efficiency of the banking sector compared to other industries in Romania; nine individuals indicate similar efficacy and only three people believe that the system efficiency is lower.

For shaping the overall image of the banking sector, the present research also sought to find out which are consumers' opinions on the customer oriented business philosophy of banking organizations in Romania. This objective was operationalized in the conversation guide by using as specific variable "the interest paid by banks to the financial needs of individuals or retail customers". Research results show that there is a relatively neutral image of banks. However, consumer perceptions tend to be rather positive, fact which is probably correlated with the statements made by respondents in the previous question. Thus, from the total number of forty individuals who took part in the qualitative research, only five people have stated that "banks attitude towards their customers is one of indifference". Most retail consumers indicated in roughly equal proportions that banks show either a moderate or a high interest towards customer requirements, opinion expressed by some respondents as "an active attitude of the bank in adapting to the needs of the population".

In order to achieve a more accurate understanding of the image of Romanian retail banking industry, the present research also focused on determining consumer perception about the overall quality of the Romanian banking products, banking fees and charges, bank staff competence, communications methods and delivery channels of the banking services. These are considered in the literature the main dimensions of bank marketing-mix tools with direct impact on customer satisfaction and buying behavior.



Regarding the overall quality of the banking product portfolios, research results generally show positive perceptions of Romanian retail customers, if considering that sixteen respondents appreciate banking products and services as being of “high quality” and seventeen people as having an “acceptable quality” level. However, there are also seven individuals who clearly indicate a “low or quite low quality of the banking products and services” on the Romanian market.

Although opinions on service quality vary, respondents almost unanimously talk about products diversity or portfolio development, noting for example that “banking institutions in Romania provide a wide range of products and services”.

When analyzing banking products adaptability to Romanian consumer requests, retail customer perceptions are however more heterogeneous, research results showing that: thirteen individuals believe that “banking products and services are tailored to retail customer needs”, sixteen persons do not consider banking products “neither appropriate, nor inappropriate”, while eleven people speak of an “insufficient adaptation of banking products and services to the real needs” of customers. Therefore, banking organizations are recommended to adopt a more systematic approach in researching consumer behavior, in order to increase consumption level for their specific products.

According to the information obtained from the present research, banking fees and charges are the least appreciated attributes of banking policies and consequently, Romanian consumer perceptions are rather negative when evaluating the transparency of the price strategies developed in the retail banking industry. This conclusion is supported by the opinion of over two thirds of respondents, according to which “banking fees and charges are not acceptable in relation to the quality of the product and services received”, while the other third of the investigated sample has a neutral attitude on the level of fees and commissions.

Overall, research participants consider staff competence in the banking sector as being of medium level. There are a relatively small number of people who believe that bank employees have high skills or low skills, these two categories of responses showing approximately equal frequency.

The effectiveness of the communication methods used by banking companies received similar appreciations from respondents, but with a more positive trend than staff competence. Thus, eighteen individuals state that “banks use appropriate methods to inform and communicate with their customers”. Only three people do not consider the communication techniques used by banks as “useful” or “well chosen”, while the other respondents have a neutral opinion on these issues, their perceptions being neither positive nor negative.

The banks image is favorable regarding services delivery channels. About three quarters of the respondents mention that the methods used for distribution and banking services delivery is “effective” or “convenient”. The other consumers have a neutral attitude towards delivery channels efficiency.

Awareness is considered by some marketing specialists the quantitative dimension of image. Therefore, another objective of the research was to identify spontaneous awareness of banking organizations operating in the Romanian market and also to find out banking products popularity among retail consumers.

Research results prove a relatively high degree of consumer knowledge about the banking organizations that develop market activities in Romania and this conclusion was drawn from the large number of institutions mentioned spontaneously by respondents. Correlated with demographic information provided by individuals, it appears that consumer awareness increases with the education level. Awareness values are also higher for young and middle-aged persons. According to the research results, banking organizations that record the highest degree of spontaneous awareness or popularity are the following: BCR,

BRD, Raiffeisen Bank, BancPost, ING Bank, Unicredit Tiriac Bank, Banca Transilvania, CEC Bank, Alpha Bank and Volksbank. A smaller number of responses, suggesting a lower spontaneous awareness were registered in the case of the following banks: Millenium Bank, Citibank, Banca Românească, Credit Europe Bank, Piraeus Bank, OTP Bank and Intesa Sanpaolo Bank.

Regarding banking products consumers are most familiar with debit cards, mortgage loans, followed by personal loans and bank deposits (especially deposits with maturity of one month, three month and six month). Credit cards and saving accounts are mentioned spontaneously by a smaller number of respondents, while other banking products such as traveler's checks are not mentioned by any individual. ATM transactions are among the most popular banking services (especially invoice payments or self banking services), followed by Internet banking services.

Most banking products and services are mentioned by consumers belonging to the age segments 26-35 years and 36-45 years. Depending on the income criterion, the best informed consumers have the net monthly income on family member in the categories 1001-2000 Ron, 2001-4000 Ron and over 4000 Ron. This situation is explained by the variety of the financial needs faced by consumers, according to their age and income characteristics.

Important research results also regard the sources of information used by individuals when researching the banking market. According the frequency of use, Romanian consumers mentioned the following sources of documentation: banking branches and offices, Internet - involving the use of various web sites and blogs, as well as information received from relatives, friends and family members. All three sources are frequently used by individuals, with no significant differences between them. Respondents also indicated mass media among the information sources they take into account, although the number of consumers who analyze the banking products, services and suppliers

by collecting information from press, radio or television is lower than those who use the other sources.

There are also some differences between consumers belonging to distinct age segments regarding their preference towards information sources. Thus, it appears that respondents in the age groups 18-25 years and 26-35 years frequently search information on the Internet, individuals aged between 36 and 45 years request additional information at banking branches or offices and also from relatives, friends and family members, whereas people in the age segments 46-55 years and over 55 years often monitor mass media information while also relying on friends advices. This information is particularly useful for banking organizations in developing positioning and communication marketing strategies.

### **Conclusions**

The sustainability dimension of relationship marketing theory highlight the opportunity of achieving customer loyalty by increasing service quality, customer satisfaction and strengthening corporate image. The present study contributes to marketing literature and banking practice by providing qualitative evidences about the overall image of the Romanian banking sector and its players among retail customers, considering that bank image is an indicator of customer oriented business philosophy and sustainable marketing.

The paper has implications for both academics and practitioners in the retail banking industry. Because banking services are intangible and based on performances, a better understanding of the image components may have important managerial implications, serving in the process of marketing strategy development. The research is limited to retail banking sector, not taking into account business to business customers. In the future, the present research methodology could successfully be adapted and implemented on the corporate banking market.

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