The customer service in the banking sector as a means of creating a competitive advantage: the case of Attica Bank

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Abstract

The present paper explores the types of customer service that the companies employ in order to acquire a competitive advantage within their sector with a focus on the banking sector.
The customer service is of great importance for any company regardless of the sector that it operates. This conclusion is drawn from both everyday practice and scientific research and stands for the banking sector as well. The recent financial crisis has an impact on the way that banks operate and consider themselves in the market.
The main aim of this study is to perform research on the level of customer service in a selected Greek bank that has nationwide service network. The bank selected is the Attica Bank.
The results of the survey indicate that the quality of the customer service in Attica Bank is the key element of customer satisfaction.
In any case, given the progress achieved by this banking institution, there is still considerable room for improvement and innovation.

Introduction

Customer service in the banking sector has been examined by many research studies. The methods employed to serve customers in an effort to achieve competitive advantage are many and must obey an overall marketing strategy and philosophy of the banking institution, according to Allred and Adams (2000).

When there are factors like high transactions costs (costs of supplies and other costs), lack of confidence in trade (especially those carried out without the intervention of executives of the bank), unreliability, failure to adopt modern ways of service offered by technological developments and promises not kept by the bank the tendency of customer to change bank is reinforced.

In the light of the current financial crisis at international level, a set of factors like the increased risk and uncertainty regarding the developments in the banking sector worldwide have been subject to inquire.

As far as it concerns the banking sector in Greece, it is mainly characterized by intense competition and mergers and acquisitions of banks. Public and private banks amounted to over 20. It is easily seen that there is fragmentation in the banking market in Greece,

despite the existence of "oligopoly" and 4 banks occupy more than 80% of total turnover (National Bank of Greece, Alpha Bank, Eurobank and Agricultural Bank). The segmentation of the banking market by a large number of banking institutions in relation to the size of the economy reinforces the idea of choice by consumers to select the most appropriate banking institution. Almost all Greek banks utilize the available options offered by technology and offer customer service channels such as phone banking, e-banking (or web-banking), ATM and traditional services to the funds of the bank.

In such a rapidly changing and challenging environment, the study of a Greek bank becomes interesting especially taking into account the worldwide changes in banking sector.
The present paper consists of the following parts:

- Literature review
- Methodology design
- Results
- Conclusions and suggestions.

Literature review

Reichheld and Sasser (1990) highlighted the need for loyal customers and claimed that the customer service is such a fundamental issue that all companies (including banks) have to constantly improve the quality of services that they provide.

Bontis et.al. (2007) went further by suggesting that customer satisfaction enhances reputation in the service environment. Also, they claimed that reputation partially mediates the relationship between satisfaction and loyalty, and that reputation partially mediates the relationship between satisfaction and recommendation.

Papasolomou - Doukakis (2002) claimed that the customer service is a means of differentiation in competitive markets. In that respect, it can serve as a means of acquiring competitive advantage and empower the position of a company within its industry. As far as it concerns the banks, they have to constantly try to keep their customers due to high costs related to marketing campaigns.

Walsh and Beatty (2007) supported that service quality was strongly associated with important outcome variables such as customer satisfaction, loyalty, trust and word of mouth when employing a multi-dimensional model across three service business types including banking.

A recent research study by Gupta and Zeithaml (2006) offered nine empirical generalizations about the linkages between perceptual and behavioural metrics and their impact on financial performance. Customer satisfaction as a result of qualitative customer service was identified as a leading indicator of future behaviour and financial performance.

Yavas et.al (2004) examined the nature of the relationships among the quality of the provided services, the characteristics of the customers (gender, age, education level, marital status and occupation) and the satisfaction obtained from using the services of a bank.

The data were collected by questionnaires answered by 500 people who had a bank account in a German commercial bank and they considered it as their main bank that they cooperated with. The main conclusion of Yavas et.al (2004) was that the quality of services is closely related to the customers' satisfaction and also linked to behaviour such as the positive word of mouth.

Arasli et.al (2005) examined the perception of quality service that the customers have. Also, they tried to analyze the relationship between the quality of services, the customer satisfaction and the positive word spread from 'mouth to mouth' in the banking industry of Cyprus.

The questionnaire that it was used by Arasli et.al (2005) consisted of three distinct sections of questions. The first part included questions regarding the profile of the customers (gender, age, educational level and occupation). The second part consisted of the customers' expectations and perceptions regarding the following five aspects:

- Bank Facilities
- Responsibility
- Ability to respond
- Security
- Emotional involvement.

Finally, the third part of the questionnaire concerned the degree of overall satisfaction with the bank and the cases which the customers suggested the bank to others using measurable variables that reflected the impact of the provision of quality services to customers.

According to the results obtained from the work of Arasli et.al. (2005), there were no significant differences among the customers' expectations and perceptions regarding the variables: bank facilities, accountability, responsiveness and emotional involvement. In addition, customers were satisfied and made positive recommendations to others to cooperate with the bank.

Athanasopoulos (2000) attempted to identify the factors which the customers use in order to evaluate the services provided.
The sample came from Athens and the questionnaire included 26 questions. The dependent variable of the model was the customer's satisfaction and the independent variables were the following:

- Innovation
- Support of the staff
- Price
- Comfort
- Profile of the bank.

The results of Athanasopoulos (2000) showed that comfort as a variable concerns the important customers who pay more attention to issues related to it. These issues include the network of ATMs and the working hours of the branches. Also, it is of great interest the rates of savings accounts and yields offered and of less significance the miscellaneous fees charged by the banks.

Chakravarty et.al. (2004) conducted a study of the relationship between the customer's behavior and the tendency to change bank. The

results indicate that interpersonal relationships can reduce the possibility of creating the conditions to change bank while contributing to retaining customers.

Luarn and Lin (2005) argue that despite the millions of dollars which have been spent for the provision of banking transactions via mobile phone, potential users of these services will not easily use the new available channel.

In the past few years it has rapidly grown the implementation of financial and banking transactions via internet. Bauer et.al. (2004) gathered data from Germany on the perception that customers have about the quality of banking services provided via internet (e-banking or web banking). The independent variables employed by Bauer et.al. (2004) are the following:

- Security - trust
- Basic services
- Market services
- Added value
- Ability to respond.

Bauer et.al. (2004) chose the quality of services from online banking and the subsequent satisfaction drawn by the customers / end users of online applications, as the dependent variable.

According to Bauer et.al. (2004) a very strong sense of security can be transmitted to customers by guaranteeing high reliability during electronic transactions. The level of appeal of a banking portal (e-portal) depends largely on the additional services offered beyond the traditional bank products.

Bauer et.al. (2004) also argue that the beneficial effect of making electronic transactions is a value-added service and is an important criterion for the evaluation of banking websites. The response, as expressed through the personalization is still in a primary stage regarding the electronic transactions. This fact is the reason why when personalised services are used can provide a bank will an advantage over its competitors.

Recent developments on international level

There has been an increasing interest regarding the customer service in the banking sector worldwide due to the emergence of the late financial crisis. Banks have now an additional obstacle to overcome in their continuous effort to be competitive and to survive in the rapidly changing economic environment.

In the first place, the effects of the financial crisis out broke during 2008 in the USA. These effects included the collapse of reputable financial institutions such as Lehman Brothers and Wachovia Bank and the merge of banks like Merrill Lynch and Bear Sterns. Also, there were cases in which the State acquired part of the equity of the banks in order to rescue them from collapse (i.e. Fannie Mae and Freddie Mac).

There were indications of the coming crisis since 2006. However, no particular attention had been paid to them and no action was taken beforehand.

The main reason for this crisis is the overwhelming use of complex financial instruments such as securitization and financial leverage. Other reasons like the poor bond ratings, the insufficient regulatory framework and the irrational scheme of bonuses for high raking bank officials contributed to the crisis.

As a result, the lack of confidence of the stakeholders in the banking market led to a substantial decrease in the credits granted and subsequently to a liquidity crisis. Due to the fact that the economy is global, the crisis had a direct impact on other countries, not excluding Greece.

The financial crisis has also affected the Greek banking sector with a time lag because the Greek banks were less exposed to these financial instruments.

Once more, customer service is of great importance in order to restore credibility and reliability of the banking institutions towards their customers. The crisis can be seen as an opportunity to change and introduce innovation and new concepts in daily practice.

In view of the recent developments in the global economy and the high concentration that characterises the Greek banking sector, customer service of quality can potentially provide a strong competitive advantage to the banks.

Profile of Attica Bank

Attica Bank S.A. was established in 1925 and nowadays is a dynamic finance entity that owns a continuously developing network in Greece amounting 77 branches. Attica Bank operates as a Banking Societe Anonyme under auspices of the Law 2190/20 and the Law 2076/92.
The main shareholders of Attica Bank are the following:

* The Pension Fund of Engineers and Contractors of public projects (ΤΣΜΕΔΕ) with 42,41%
* The Hellenic Postbank with 21,19%
* The Fund of Deposits and Loans with 19,08%.

Since 2/6/1964, Attica Bank has been listed in the Athens Stock Market Exchange. The financial group that Attica Bank belongs to consists of:

* ATTICA WEALTH MANAGEMENT
* ATTICA VENTURES
* ATTICA CONSULTING S.A
* ATTICA FUNDS PLC
* ATTICA BANCASSURANCE
* ATTICABANK PROPERTIES.

Attica Bank is expanding to new fields in order to follow the rapid developments at international level and also to accommodate efficiently the increasing needs of its customers. In that respect, Attica Bank offers a wide range of banking and investment products and services to individuals, SMEs and big companies.

In particular, Attica Bank offers them a significant set of banking products and services:

- Deposits
- Loans
- Investment products
- Credit cards
- Attica Gift Card Visa
- Insurance products.

Methodology design

In the case of Attica Bank, it deemed necessary for the research to follow two strands: the first strand concerns a mystery (undercover) research in branches of Attica Bank. The second one concerns the data collected from a semi-structured interview with a bank executive.

A semi-structured interview is an interview that does not have a standardised structure but includes a list of relevant topics to be discussed. The exact content, scope and depth may vary from interview to interview.

The approach followed was to encourage the person interview to talk openly and freely and in a later stage to analyse the answers given. The main advantage of this approach is that the people interviewed prefer it to a typically structured questionnaire since the last is both time consuming and impersonal.

Two telephone contacts took place in April 2009 with a manager of Attica Bank who holds the position of Head of Loans and Customer Service in a regional branch. The main topics included (but not limited to) in the list for discussion were related to:

- The necessity of customer service in the modern banking sector focusing on Greece
- The application of marketing techniques in everyday banking processes
- The integration of high technology solutions in customer service
- The design of procedures and service channels.

The second part of the empirical investigation of the case study of Attica Bank concerned the mystery or else undercover customer research in certain branches of the bank. The objective of an undercover customer research is to provide information on the procedures in place and the quality of services provided.

It also facilitates the design of training programs for employees of banks or businesses in general. The mystery research should not be used as a means for lay-offs and devaluation of the staff. In all cases, it is required to respect high ethical and professional standards as well as the rights and privacy of the customers.

A mystery customer research should have the following characteristics:

- Relevant to the aim it serves
- Reliable
- Practical
- Safe for the researchers who carry it out
- Objective.

These technical principles have been described by McDaniel and Gates (2005) and are specified as follows:

Relativity

The scenario has to be designed in such a way as to monitor the sales or the behavior of staff that provide the services.

Reliability

The scenario should be realistic, in other words to mimic the daily customer's behavior and to convince all stakeholders for its plausibility. Otherwise, there is high possibility that the staff of the bank may suspect that they do not deal with a regular customer and could alter their behavior. In such a case, the observations obtained could have significant impact on the research findings and the results are biased.

The general rule is that the scenario has to be simple so that the researcher will need a relatively short period of time to collect the necessary information and afterwards can pose follow-up questions.

In addition to that, the undercover investigator must match the profile of a typical customer to have sound knowledge of services that the bank (or any other business) offers its customers.

Practicality

The research is practical when it maintains its simplicity and ensures that all data collected reflect reality. Researchers have to memorize the answers received from the staff and to record when they leave the branch away from any visual contact with the employees.

Safety

Whatever are the scenarios employed, the safety of the researchers should be ensured. Under all circumstances, questions that may be illegal or expose personal data of staff should be avoided.

Objectivity

It is useful to record the sense of staff's confidence that arises from their work and the overall impression obtained by the researcher from the total service.

In the present work, the mystery research took place in May 2009. The bank branches were located on the wider area of Attica and the main criterion for their selection was the large number of customers that they serve every day.

The sample was based on customer traffic at branches of the wider area of the capital in order to achieve greater representation because of the larger number of observations.

Specifically, the sample included the following six branches of Attica Bank:

- Panormou
- Acadimias

- Piraeus
- Panepistimiou
- Museum (Patission avenue)
- Glyfada.

The collection of qualitative data using the two methods mentioned above was subsequently followed by extensive analysis, classification and organization of the information retrieved.

The research also took into account any pieces of information made available from other sources such as advertising brochures of Attica Bank. This kind of documentation is available to the public, easily accessible and gives a global view for the customer service in Attica Bank. It is important that the observations coming from this informative material verify the findings of the case study.

Results of the interview

The questionnaire used for the interview with the bank executive comprised of five sections which included 23 questions in total. These questions serve as an indicative basis for further discussion in an open and unbiased manner. The summary of the answers received to these questions per section of the questionnaire by the bank official is as follows:

Section 1: General framework –external environment
According to the manager interviewed, the reasons that make necessary the continuous improvement of the customer service in the banks are retain of existing customers and the attraction of new ones.

Factors like the oligopoly nature of the bank market, the intense competition, the mergers and acquisitions and the new directives adopted at European or worldwide level significantly affect the Greek banking sector.

Section 2: Customer service in Attica Bank – internal environment
The most important factor related to the customer service in Attica Bank is the personal contact with the customers. A good personal relationship contributes to a feeling of security and mutual trust.
Apart from the human factor, Attica Bank implements a number of modern channels for providing services. Such channels are the MIS named Globus (version T24), ATMs, e-banking and mobile banking.

Attica Bank in cooperation with COSMOTE provides the possibility to its customers to make most of the banking transactions via their mobile phones. In addition to that, a call center operates nationwide which is not expensive to use (phone banking).

The moto of every marketing campaign of Attica Bank is: 'We fully understand your needs because we are also humans'. It is evident that Attica Bank attributes great importance to the human factor and its policy is customer oriented.

It is worth mentioned that Attica Bank provides certain privileges to some groups of professionals such as engineers and lawyers (i.e. lower charges, better conditions for granting loans).

Section 3: Strategy to attract and maintain customers
The strategy axis on which the qualitative customer service in Attica Bank is based, are the following:

- Very good and fast service
- Security
- After sales support.

Customer service in Attica Bank is differentiated and personalised. It is also flexible and effective because it suits the needs of different groups and individuals. Attica Bank aims to connect the ATMs with the CRM and transform the ATMs to sales points.

Section 4: Designing service processes
Attica Bank collects data regarding the needs of its customers through the applications for granting new loans and the information forms for business loans.

Also, Attica Bank uses alternative sources of information such as the procedure for updating the financial data of its customers and inter-banking sources. In that respect, Attica Bank can offer innovative services. For example, it was the first Greek bank which introduced a prepaid VISA card named Attica Gift Card VISA.

Section 5: Human resources and perspectives
The lifelong training in Attica Bank is considered of great importance and so during the last years some interest internal courses have been organised covering topics like:

- Development and quality of customer service (2006)
- Improvement of specific banking products (2007)
- Development of managerial abilities (2008).

The training courses are in some cases tailor made for specific groups of staff or even personalised. There are also delivered via the intranet of Attica Bank.

Results of the mystery research

The mystery research in the selected branches of the Attica Bank focused on four areas of interest. These areas are the following:

- General image and professional appearance of staff
- Quality of customer service
- Condition of the interior spaces
- Condition of the exterior spaces.

The results drawn from the mystery customer research per area of interest are as follows:

General image and professional appearance of staff
The appearance of the staff is almost excellent. The degree of commitment to the customer is high. Any issues observed are related to the short interruptions of the service. The bank executives are not immediately recognisable because there is not any dress code or business policy. The results are presented in Figure 1.
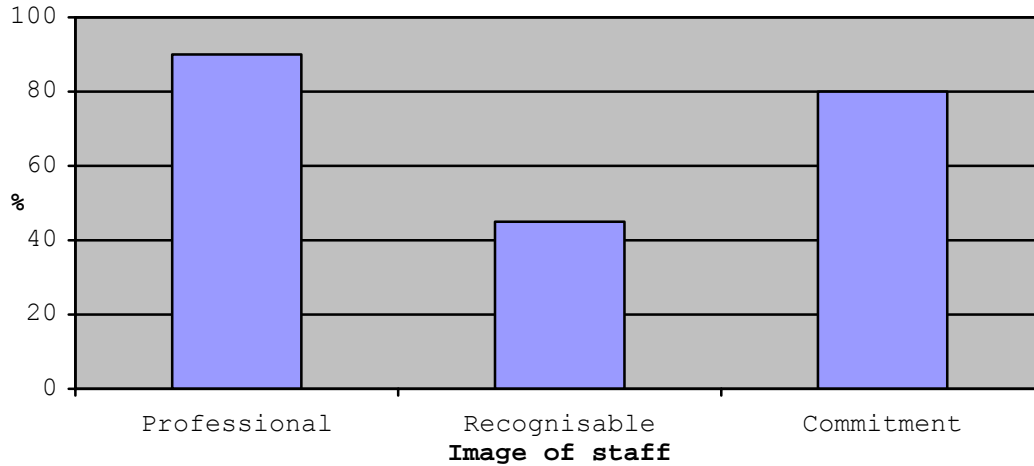
Figure 1: Image of staff

Quality of customer service

In case that the quality of the customer service provided is assessed with the general rules of retail sales, then it is inadequate. This is due to the fact that the entry of the customers is not observed by the staff and there is absence of initiative from the part of the bank staff. Despite that, the presentation of the banking products and the knowledge about the bank and its services are quite satisfactory.

In the diagram, it is shown whether the information regarding the main feature of loans offered was obtained upon request of the researcher (acting as a mystery customer) or by staff's initiative. The conclusions are presented below in Figure 2.
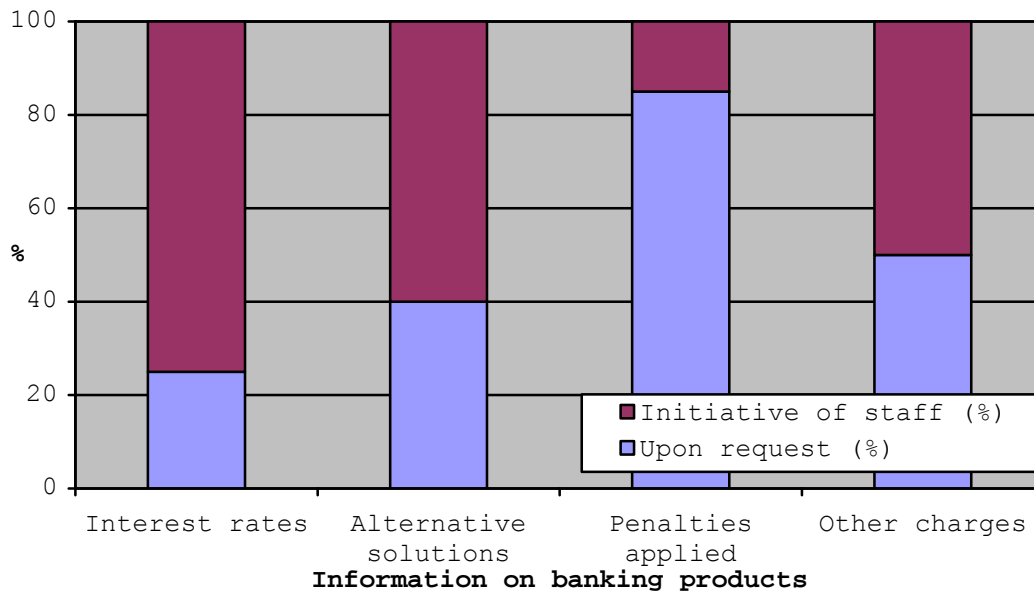

Figure 2: Information on banking products

Condition of the interior spaces

The interior of the branches of Attica Bank is in good condition. However, there were discrepancies among the branches and this fact results in differences regarding the impact on the customers. For example, the means for advertising retail bank products are the same across the branches but in some of those there are used more

intensively. In Figure 3, the banking products advertised and the corresponding percentage of existence are presented.
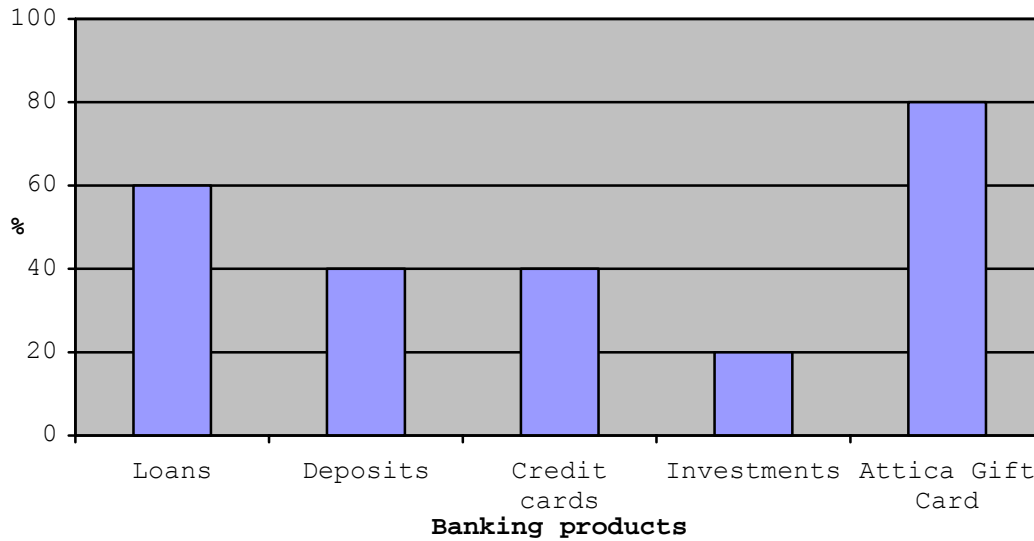

Figure 3: Banking products

Condition of the exterior spaces

Almost all branches of Attica Bank are easily distinguished and concentrated in certain areas following the trend of the other bank to compete each other by opening branches very close to one another. The branches of Attica Bank included in the sample have generally clean exterior spaces. The opposite conclusion stands for ATMs since there were problems detected regarding cleanness and damages.

The most common used retail marketing techniques are fiches on the windows. The degree of the retail marketing techniques used is shown in Figure 4.
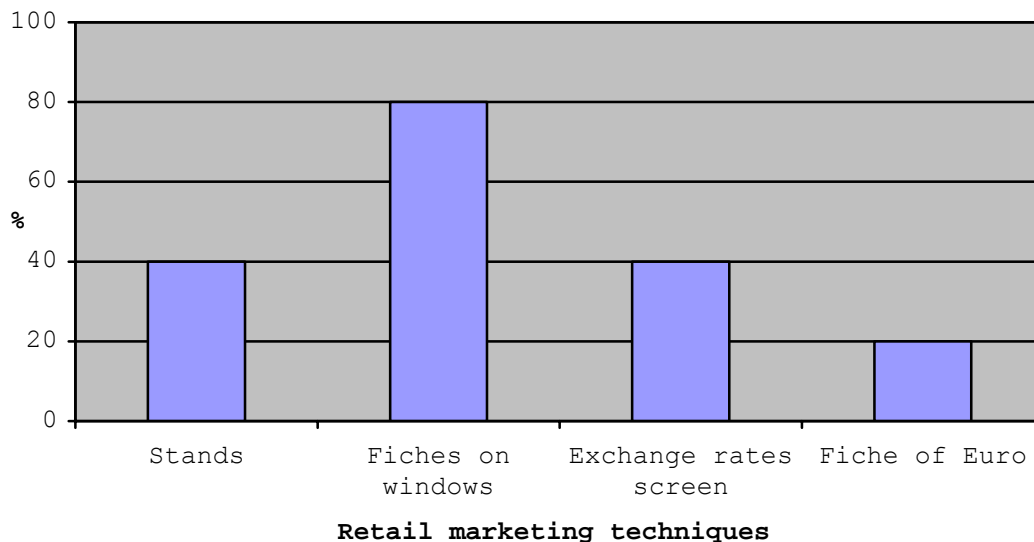

Figure 4: Retail marketing techniques

Conclusions and suggestions for Attica Bank

This study investigated the ways that customer service can provide competitive advantage to a bank that delivers high quality services.

Attica Bank was chosen as a case study and the research concerned the interview of a high standing executive of the bank and the mystery customer research in several branches. According to the case study, Attica Bank is considered to have a set of advantages in the Greek banking environment. These advantages are:

- Strong and long lasting cooperation developed with the customers
- Strong links with certain insurance and pension funds and professional groups
- Flexibility in customer service
- Banking products are fully adapted to customer needs.

Despite the advantages that Attica Bank has, the bank presents inherent weaknesses that have to overcome in the near future. The main weakness is its limited branch network and a low profit margin from the transactions.

It is worth noting that despite the difficult economic climate worldwide, there are still significant opportunities for Attica Bank. Such opportunities are considered to be the positive outlook of the banking sector after the normalization of conditions in the economy, the full utilization of the bank flexibility and the further development of privileged access to certain segments of the market. Other opportunities lie in areas like consumer loans and mortgages where the market share held by Attica Bank is relatively small and there is room for potential growth.

Any proposals made in order to improve the customer service in Attica Bank can be in line with the contributions of Kazazis (2000) and Papadakis (2002). These suggestions include:

- Improvement of technical infrastructure taking into account the developments
- Continuous improvement of the quality of human resources through on the job training
- Active replacement of the 'banking on demand' which focuses on the sale of specific services by the 'relationship banking', which aims to have customers buying multiple services and is the modern concept of banking.

In summary, Attica Bank will focus on making combined sales of services rather than trying to have high profits per individual transaction. This means that the customer will have close cooperation with the bank and the latter has all the available channels to offer him products and services at any time.

Finally, Attica Bank will design services and products that accommodate the needs of its customers and at the same time generate a long term relationship with them. It is again evident the role that customer service has to play in the implementation of such an integrated strategy.

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Appendix: Questionnaire for Bank managers

Section 1: General Framework – external environment

1. Which is the necessity of an excellent customer service in the modern banking sector?
2. According to your view, which are the main characteristics of the Greek banking system that impact on the philosophy and the content of customer service?

Section 2: Customer service in Attica Bank – internal environment

1. In your opinion, which is the content of the qualitative customer service?
2. Describe the philosophy of Attica Bank regarding the customer service.
3. Mention in which ways the customer service of Attica Bank differs from the other banks?
4. Please indicate the specific actions and procedures followed by the personnel of the bank in the daily customer service.
5. Which are and to what extent the channels are used to provide services (web-banking, phone banking, etc)?
6. Please indicate the information sources available to both existing and potential customers of Attica Bank.
7. Is there a commercial moto (slogan) used?

Section 3: Strategy to attract and retain customers

1. What are the pillars on which the strategy for the provision of high quality service from the bank is based?
2. The service in Attica Bank is diversified and customized or it covers large audiences with little focus on individual customer needs?
3. How does the bank incorporate the technology in customer service?
4. What is the formal (or informal) process of receiving complaints from not satisfied customers?
5. How are the complaints handled? Is there any information feedback provided to customers and which channels are used in that respect?

Section 4: Designing service processes

1. Mention the means of recording and analysing the customer needs.
2. Please describe the involvement of the various Directorates of the Bank in the design and implementation of the customer service channels.
3. Identify areas, processes or products / services in which Attica Bank innovates.
4. If the Attica Bank operates a CRM system (Customer Relationship Management), please refer to its key features and the benefits for the bank.
5. Are the procedures regarding customer services in Attica Bank in line with the processes of other entities belonging to the same group of companies?

Section 5: Human resources and perspectives

1. Which training courses on customer service are followed by the staff? How does their subject differentiate according to each position of responsibility and authority in the bank?
2. Is Attica Bank a member of associations / organizations that promote better customer service?
3. Please indicate the areas in which the customer service needs improvement.
4. Which should be, in your opinion, the short-term and the long term priorities for Attica bank? Which are the perspectives for customer service in Attica Bank;