

Theses of the (Ph.D.) dissertation

Attila Bátor

University of West Hungary
Sopron
2008

1./ Purposes

The fundamental aim of every business enterprise, just as of a commercial bank is to satisfy customer needs thereby achieving profit goals. The main tool to the adequacy to this aim, and basically the sustainment and continuity of the business activity is customer orientation. The relevance of customer orientation is not new in business life, as it is the basis of marketing literature and practice and also the whole corporate operation. However, the changes undergone in the corporate environment have highlighted the fact that it is harder and harder to meet this requirement. The concept of customer orientation has grown more and more complicated, it is determined by several components, for instance the demand for the expansion of service choice, the high standard of service quality and the speed of fulfilling needs.

For customer orientation it is not enough that the bank considers itself, but it is also essential - what's more, prior – that the customer him or herself feels satisfied about the provided service. So one of the (not the only) measuring and analysing tools of customer orientation is the examining of customer satisfaction. Satisfaction, however, does not automatically mean loyalty, and dissatisfaction does also not necessarily mean neglecting the institution.

The **fundamental purpose of the dissertation** is to analyse the connection between the satisfaction of the clients and loyalty towards the bank. The starting point is that the satisfaction/dissatisfaction with the service quality may finally result in loyalty towards the bank, or the clients leaving the bank. The connection, however, is non-linear. The development and existence of loyalty or 'disloyalty' is the result of a long process, in which satisfaction and dissatisfaction may run a wide spectrum. The thesis is examining through online panel research, how this connection is defined on the community market, in the field of commercial banks, what leads to clients leaving the bank and how loyalty can still exist in case of dissatisfaction.

2./ Contents and methodology of the research

The objective of the analysis was to establish what aspects play a role in the community bank clients changing banks, especially regarding issues of dissatisfaction. The core question of the study was to describe what effect satisfaction with the financial institution has on loyalty, and whether the possibly occurring dissatisfaction is enough reason for the client to search for another bank and leave the previous service provider. According to the base hypothesis, the decrease or lack of satisfaction does not obviously determine a change in service provider. The below hypotheses sum up this presumption:

H1.1: establishing loyalty can be described as a process

H1.2: losing loyalty can be described as a process

H2.1: satisfaction is a basic pillar in establishing loyalty

H2.2: the more satisfied the client, the stronger the loyalty can be

H3.1: a loyal client can also be dissatisfied

H3.2: dissatisfaction does not necessarily mean loss of loyalty

H3.3: the stronger dissatisfaction does not necessarily speed up the process to deciding to change banks

H4.1. this process can strongly be influenced by unique factors originating from social and cultural effects

H4.2. the influencing factors are based on customs, traditions

The method of the research, data survey

The survey was made using CAWI technique, on-line questioning, self-filling out questionnaires. 530 persons have answered during the survey. Those who answered are in the adult age group of 18-69, who have one thing in common: they use the Internet at least once a week. These features have also served as the basis of weighting.

Among the questions in the questionnaire were one-choice, multiple choice and scale (Likert-scale) questions in majority. This results in mainly using simple statistics during the research,

namely calculation of averages, frequencies and distributions. Beside basic statistics, the use of more complex statistical methodology and models have also occurred, among which the following are to be mentioned:

- *significance measure based on khi square test;*
- *relevance-satisfaction [RS] model;*
- *discrimination analysis.*

2.2./ Justification of the methodology

Online researches are more and more common. According to the 2006 report of ESOMAR, the amount spent on online research has risen by 2% worldwide compared to the year before. The number of Internet users is also increasing year after year. In the second half of 2007 in Hungary the Internet penetration is 41% - more than 3 million people connect to the web at least on a monthly basis, the ratio of those using the net at least once a week is 37%. This ratio is improving. The spreading of this method can be explained by advantages such as cost efficiency, faster research work: hundreds of Internet users can answer questions simultaneously. The answers are more precise: the Internet users can read the questions and the possible answers, resulting in more precise answers. The remembrance is better: the Internet users do not feel the stress to give quick answers, so it is likely that they think about what to say about the given question before moving on to the next question. The answers are more detailed: as the Internet users have more time to answer, the answers given to the describable questions are more thought through and more detailed.

3./ Results

Within an online survey, in which the target group consisted of the 18-69 aged population using the Internet at least once a week, it examined the n=500 persons' bank usage habits, the criteria of satisfaction, meeting those and the factors leading to changing banks.

The research was accomplished in three areas. Through examining *bank usage customs* it became clear that according to the significance analysis made in accordance with the sociodemographic data of those who answered, the middle-aged, upper-educated men tend to have contact with several banks, and where the probability of changing banks is higher. The more frequently applied bank services according to the result of the research are communal current accounts, loan and deposit products. Regarding the way of administration, mostly personal contact (branch bank) is characteristic, but the penetration of modern tools – mostly the Internet – is dynamically developing. Based on the results of of satisfaction examination I have drawn a scale of relevance measured on those planning and those not planning to change banks. The features did not significantly differ in evaluating the ranks of the two segments, however in measuring satisfaction I could realise a well-measurable difference. I have placed the results in a so called RS model which exposes the role of the attributes in the expectations of the clients in a well illustratable and parameterable way, and also serves as a suitable starting point for elaborating the strategy. The research also included the examination of the *resons for changing banks*, pointing out that beside the dissatisfaction with several parameters of the service a significant role was given by outside impacts such as the influence of the workplace or school (27%), encouragement by acquaintances and family members (9%). Those not planning to change banks mostly explained this due to their satisfaction with their banks (74%), but many have mentioned the significance of client past (56%) referring to the fact that chosing banks and applying services lies in traditions and customs. Laziness, convenience and risk prevention may also appear in this approach. This means that changing banks also becomes the result of a long process, or does not occur even in case of high dissatisfaction. The research results prove the convenience and risk prevention behaviors in repect of decision making, awareness of new products and search for information. The *examination of the connection between satisfaction and changing banks* pointed out that there is connection between the two elements, and the thesis was confirmed that the more satisfied customer is less likely to change banks. It has been proved that changing banks can not be exclusively traced back to dissatisfaction, whereas dissatisfaction also not necessarily

generates changing institutions. This has been supported by the discriminant analysis made in the research, as a result of which a connection can be presumed between dissatisfaction and leaving banks, but this connection is weak and the research result points out the significance of the role of other factors, as well.

Confronting the models of Oliver and Cronin with my own research results I have created a new model showing improvement in considering the factors influencing loyalty that form adherence in a unique way towards a bank even in cases when the client is dissatisfied. The model draws the attention of the companies to the fact that in today's competition the client behavior, the customs in the policy of getting new clients, the forcing factors and convenience have a significant power in the decision of the client. This characterisation is probably more valid to the former socialist states, however my research does not include this examination, but definitely ensures further research possibilities. A further possibility – as the purpose of the examination is much wider than the subject of the research – may even spread out to quality and profitability in the future. If information collection does not only use online basis, but also traditional personal survey supported by a focus group analysis can mean a third research area. This way the quantitative research may be completed by qualitative results. By confronting the two research results we can get a more full picture of the connection between satisfaction and loyalty, as the present examination is only representative to the group of Internet-users. The usefulness of the research is also applicable in the business sector. According to researches, in the process between the client being dissatisfied to deciding to change providers, nearly 40% of the dissatisfied clients could have been converted. In the bank sector an examination could show similar results, and in the competition getting more and more tense, the institutions are just beginning to realise the significance of this problem. The model set in my study also offers help in this process.

4./ Theses

Theses I.

The role of Internet use is bigger and bigger in the bank services, supported also by the financial institutions, trying to encourage their clients to acquire online transactions.

Within the age group 15-69 in Hungary, the ratio of Internet users in the second half of 2007 was 41% - more than 3 million people connect to the web at least on a monthly basis, the ratio of those using the net at least once a week is 37%. The number of enterprises contracted to Internet banking services at the end of June was 143 thousand, that is a 13% and 48% increase compared to the previous 3 and 12 months. By the end of 2006, over 167 thousand companies used Internet banking, as well.

Based on the expectations of the banks, among the Internet bank services Internet transfers will further increase in the largest extent both among retail and corporate clients. The second and third place in the corporate market is checking transaction controls and account information via Internet.

Among the retail clients – based on the expectations of financial institutions – the second and third place is online selling and buying investment certificates and gilts. In case of these two transaction types the expectations of the banks have improved more and more in the past quarters of years, therefore it is no surprise that they believe a dynamic development is approaching in the upcoming one year.

Thesis II.

Establishing and losing loyalty can be described as a process.

The hypotheses have been concluded with the research results, and they have pointed out that the image of the banks with clients is changing in time. The direction and scale of the change is not constant. This presumes that satisfaction and loyalty are not simply established feelings, a result, but a process weakened or strengthened, accelerated or even slowed by outside effects. This process approach is supported also by the answers given to the questions examining bank usage. Both in case of bank contact and in main bank, the market leading OTP Bank received the most mentions [65% and 55%]. This refers to the fact that the large number of clients connected to the currently operating biggest commercial bank in Hungary have stayed with their previous banks for almost two decades. The leading institutions is

followed – much lagging behind, but with little difference compared to each other – the rest of the financial institutions. However, by examining satisfaction, it became clear that a considerable percentage of the dissatisfied clients have already considered changing banks, but only a few actually reached the decision of leaving the institution. By examining the equipment usage, among the most important financial products, retail account proved to be the most commonly applied financial service; almost all those who answered have it [95%]. The second place is loan contract, 20% of those who answered have it. The significant role of these financial products also emphasises the continuous contact, affecting through satisfaction the establishment of loyalty.

Thesis III.

Satisfaction is not the only indicator of loyalty, however, we may presume that it is a necessary but not satisfactory condition. A slight connection is measurable between satisfaction and changing banks.

Using the previously also applied 5-measure scale it is obvious that those who answered are generally satisfied with their banks [3,88]. Here again it is clear that those planning to change banks are less satisfied [3,30], while the satisfaction level of those not planning to change banks is higher than average [4,06]. The level of satisfaction asked in general shows a slightly higher value than the calculated average in case of more specific questions [3,75]. These results support the presumption that satisfaction is a key element in establishing loyalty. However, in the relationship between dissatisfaction and disloyal behaviour this can not be stated so obviously. In general we may have the feeling that the element number of the sample and satisfaction are in some sort of correlation with each other, as it seems that the bigger clientele a bank has, the lower satisfaction indicators it generates. It can also be seen that the dissatisfied clients have not in the past couple of months, but earlier become dissatisfied. But since these clients have not changed banks, the hypothesis can not be stated that changing banks is basically not influenced by satisfaction.

Thesis IV.

A certain number of clients consider changing banks, but this mostly remains hidden from the bank, even though the majority of dissatisfied clients can be made to stay with the help of the appropriate communication and complaint handling encouragement tools.

Nearly six tenth [59%] of those who answered have claimed that they have never changed banks, which means that ever since they have had bank contacts, they have been loyal to the original financial institution. The most among the bank changers [28%] have changed institution only once in the past, whereas 13% have changed their main banks several times. Although when examining the questions of satisfaction, the element number of those planning to change banks has already been identified [n=117], which means almost every fourth person answering, this number divided into two further groups it is clear that only 3% are those surely planning to change banks, whereas those hesitating are 20%. Those considering to change banks predominantly re not thinking about the issue due to new disapprovals: only 26% of them have said that this opportunity first came to their mind sin the past couple of months. Almost two third of those who answered [32%] have been planning this move for quite a while, over a year, and 40% is the ratio of those who have begun to hesitate over the issue in the past year. It seems that people can relatively easily be sidetracked from changing banks, provided the financial institutions approach them in the appropriate way. In case of changes in the mentioned aspects, the vast majority of the answers has shown that those people would change their decisions and would refuse to change banks. The size of F-values is enough to accept a professional hypothesis by 93% significance, so it is securely statable that the extent of satisfaction towards certain bank service elements affects the bank changing willingness of retail clients.

Thesis V.

The processes from dissatisfaction to changing banks are influenced by customs, traditions based on outside social and cultural effects.

In the background of changing banks was mostly the complicated administration [45%], followed with similar ratio by dissatisfaction with administration fees [42%]. Over a quarter of those who answered have mentioned must, meaning a force by the workplace, or due to

acquiring student loan [27%]. Also every fourth person has mentioned unprofessionalism of the financial institution [25%], in 22% they have not found a suitable construction among those offered by the bank, but the same ratio was valid for the impolite behaviour of the bank employee. Almost every tenth answerer [9%] has changed banks influenced by acquaintances or family members. Most of those not considering to change banks have explained this by their satisfaction with their banks [74%], but many have mentioned the importance of client history, as well [56%]. Client history is a rational answer brought to life by a certain must: in case of acquiring certain financial services [e.g. loan products], banks require client contact of several months, but for increasing the credit limit of an existing credit card, this history may even be several years. 26% of those enquired would not change banks because of the suitable widespreadness of the ATM network, 21% have claimed that the family members/acquaintances are also clients of the given bank. Every fifth answerer wishes to avoid changes, one tenth have mentioned the must given by the workplace or school, 10% have said they do not know the offers of other banks, 3% have mentioned other reasons. Among the other reasons are loan ties, the question of bank security, or being open on Saturdays. 95% have claimed that as long as they are satisfied with the service, they will not change. This approach also shows some sort of convenience, but also refers to risk avoidance, what is more, it indicates some sort of contradiction with the answers given to the question about openness towards innovations. In case of the latter only less than a half of the answerers [48%] have claimed to be open towards new things. Risk avoiding attitude is also supported by the fact that 88% prefer solutions targeting security to the possibility of a risky profit. The convenience factor is proved by the fact that it is less characteristic of the answerers to be able to make quick decisions about changes in financial matters [44%]. This approach again emphasises convenience, the demand for the regular that 85% of the answerers have marked their resistance to their financial decisions.

The information process prior to decision making seems relatively narrow-minded, as only every second in three answerers [68%] have stated that they always search for the most suitable offers, but it is even more characterised by the fact that it is a single-person process: half of those who answered have claimed that other people's opinion may play a role in the issue of financial decisions.

According to the results of the discriminant-analysis, 17,3% of bank change is explained by the model. This still proves the previously set hypothesis, according to which satisfaction does

play a role among the motivations of changing banks, but it does not fundamentally determine the clients' willingness to change service providers.

Based on the reasearch results I have set a new model (Image 32 on page 152 of the dissertation), based on the models of Oliver and Cronin. Concluding the two models and the results of my own research it can be stated that there is connection between satisfacation and loyalty, but it can even be asymmetrical due to outside factors, such as convenience, acquirance habits, risk avoidance, forcing circumstances, opinion leading role of family and friends, the image of a large bank. I define these elements as 'noise' effects. The effect of noise may strengthen loyalty towards a certain institution, even in case of lower service quality and dissatisfaction. This means that leaving the service provider presumes a longer process.

Publications of the subject:

- Bátor A.- Józsa L.- Sasné G 1999. „Értékrend és marketingtaktikák a kiskereskedelemben”, A. Felzárkózás, értékrend változás a vállalati és intézményi gyakorlatban, Miskolc, 1999. 429-434 old.
- Bátor A.- Józsa L.- Sasné G. A 1999. „Marketingtaktikai elemek a kiskereskedelemben. Egy empirikus vizsgálat tanulságai”,. Magyar Marketing Műhelyek ötödik kerekasztal konferenciája, Keszthely, 88-96 old.
- Bátor Attila 2002. „Az imázs szerepe a banki döntési folyamatban a lakossági piacon”, „Az európai integrációs csatlakozás kihívásai, I. Regionális PhD konferencia Kodolányi János Főiskola, Siófok.
- Bátor Attila 2003. „Az imázs szerepe a fogyasztói döntéshozatalban a banki lakossági piacon 2. rész”, VE PHD konferenciája, Veszprém, CD kiadvány
- Bátor Attila 2003. „A kereskedelmi bankok ügyfélkörének döntéshozatala 1”, Magyar Marketing Műhelyek IX. Konferenciája kiadvány, Keszthely, 11-17 old
- Bátor Attila 2003. „A kereskedelmi bankok ügyfélkörének döntéshozatala 2”, MOK-KA konferencia, CD kiadvány, Debrecen,
- Bátor Attila 2005. „Az ügyfél elégedettsége és lojalitás kapcsolata a bankszektorban”, VE PHD konferenciája, Veszprém, CD kiadvány
- Bátor Attila 2007. „A lojalitás és elégedettség vizsgálata egy empirikus kutatás alapján”, II. KHEOPSZ Tudományos Konferencia, Mór, CD kiadvány
- Bátor Attila. 2007. „A vevőelégedettség és a lojalitás kapcsolata a kereskedelmi bankok szférájában” (1. rész) Marketing&Menedzsment, 51. évf. 2. sz. 4-15 old.
- Bátor Attila 2008. „The connection between customer satisfaction and loyalty in the field of commercial banks Part 1”, International Conference on Management, Enterprise and Benchmarking, Budapest (folyamatban)

Application of contributions of knowledge in e-notebooks:

- Bátor Attila Bankmarketing (32 slide) in. Bátor Attila Szolgáltatás és bankmarketing 2007. Pannon Egyetem
- Bátor Attila Reklámtervezés (38 slide) in. Bátor Attila Piacbefolyásolás 2007. Pannon egyetem
- Bátor Attila XII. fejezet: Kommunikáció (35 slide) in. Sasné Grósz Annamária Marketing 2007. Pannon Egyetem

- Bátor Attila 2007. A fogyasztói magatartást befolyásoló tényezők percepció, észlelés, attitűd. 2-11. oldal in. Sasné Grósz Annamária Fogyasztói magatartás 2007. Pannon Egyetem
- Bátor Attila A tudásmarketing elméleti modellje, 28-42.o in. Sasné Grósz Annamária Tudásmarketing 2007. Pannon Egyetem