Chapter 4
Customers’ Satisfaction and Loyalty in the Economic Recession: The Case of a Greek Bank

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ABSTRACT
This chapter examines the main criteria that influence customer satisfaction and its effects on a case bank. The study identifies the actions that banks take into account and analyses the elements that can be improved in order to keep their customers satisfied and loyal during the economic recession. The research clarifies the satisfaction criteria, including ease of access, service provided, products and personnel, that are perceived as important in the evaluation of customer satisfaction. Quantitative research was conducted with 419 customers of a Greek bank. The results unexpectedly showed that respondents were satisfied with the bank. Competitive advantages were based mainly on quality service and personnel. Customers continue to use the bank for their transactions and to recommend new customers. The results also confirm the hypotheses that “total customer satisfaction” is related to “loyalty,” “recommendation,” and “complaints handling.” However, in general their interrelationships did not fit the linear regressions cases.

INTRODUCTION
Financial services have experienced several changes over the last decade with a growing attention to customer needs. The National Bureau of Economic Research (NBER) defines recession as “a period of falling economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales.” Financial institutions (banks) realised the strategic importance of customer value and seem to be continuously seeking innovative ways to enhance customer relationships. The bank sector the recent years is becoming ever more competitive,
as price competition intensifies and the shifting of loyalty becomes an acceptable practice.

Banks have realised the importance of loyalty, customer satisfaction, customer retention and profitability in order to understand customer preferences and to diagnose the switching behaviours of their customers or elements that should improve. Little is known about the bond between customer and bank with the results that the payoffs of such marketing activities are uncertain. Although the studies on the effects of economic recession and customer loyalty are rather scarce, some empirical evidence is available. Williams and Naumann (2011:20) investigated the problem of customer loyalty and its changes during the times of economic crises and recessions. Past researchers have only conducted secondary analysis of data and came to a conclusion that the recession of 2009 stimulated a decrease in customer loyalty to the large organisations. This can be explained by the worsened performance of the companies, shattered corporate governance and decreased trust of consumers in the companies. The decrease in trust can be interpreted as a result of future expectations of even worse performance that may put the customers and stakeholders of the companies at risk. So, according to Williams and Naumann (2011:20) one of the most important factors of customer loyalty during periods of economic recession is the financial performance of organisations and their solvency.

Newman and Cowling (1996) stated that excellent service quality is a one-way road for modern banks. Quality differentiates one bank from another and this is perceived as important in business profitability and survival. The impact of service quality and corporate profitability seems to be dependent on high levels of customer satisfaction, on targeting "good" clients and, above all, on the retention of these customers. Jones and Sasser (1995) stated that the goal is “complete customer satisfaction.” This is the key for customer loyalty and long-term financial success. Zeithaml et al., (1990) stated that management’s failure to identify customer desires is one kind of quality gap. From many studies, it has been derived that the most important criteria assessed by customers for choosing a bank are related to service quality and the delivery system. Zeithaml et al., (1996) indicated that examining the link between customer satisfaction and behavioural responses helps towards understanding the link between customer satisfaction and the financial outcomes of an organisation. The traditional product-oriented bank has transformed to a customer-oriented organisation working in a very competitive environment. The internationalisation of markets, telecommunications and the technology boom as well as the liberalisation of unified geographical areas has all helped this direction.

It is obvious that modern banks have gained market share constantly because modern banks do something better. This advantage is supposed to be reflected in perceived customer satisfaction. The main subject of this survey is to measure the impact of customer satisfaction on business growth. It is supposed that the elements of perceived customer satisfaction include Ease of Access, Service provided, Products and Personnel. These elements are perceived as equally weighted antecedents of customer satisfaction and almost all of them share attributes of service quality. There were many differences in bank determinants prior to the 1990s because of the lack of technology (ATM, Internet banking and phone banking), which meant that the location and size of branches were very important. Gupta and Torkzadeh (1988) in Winnipeg (Canada) and Laroche et al., (1986) in Montreal (Canada) showed that the friendliness and politeness of bank personnel, the management of accounts, the rate of interest paid and the procedures of transactions are the most important factors for choosing a bank. Price competitiveness was proven to be of minimum importance, which was something that was derived from Zineldin’s (1992) research that stated that the banking industry is unique and differs from most other service industries.