

## THE LEVEL OF COOPERATIVE BANKS CUSTOMER SATISFACTION OF THE SMALL AND MEDIUM ENTERPRISE SECTOR

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**Abstract.** Quality of service is an underestimated asset in this dynamic, contemporary economy, and Polish cooperative (co-op) banks should be managed in such a way to endure and gain competitive advantage. Strong competition from various commercial banks has forced co-op banks into a continual struggle to maintain its clientele. Currently, one of the elements for achieving that competitive 'edge' is the quality of customer service. Since the clientele market potential is finite, it seems that building a base of loyal customers becomes more consequential than attracting new clients. This compilation presents surveys pertaining to the degree of customer satisfaction in reference to the quality of instruments and services offered by Poland's co-op banks. The study is based on a questionnaire presented to bank clients from the small and medium enterprise (SME) sector. The analysis presents high levels of satisfaction by service recipients for products offered and service quality in bank locations.

**Key words:** cooperative bank, quality, satisfaction, loyalty, client

### INTRODUCTION

Poland's cooperative banks (co-op) must reckon with increasing expectations and pressure from their clientele and, at the same time, rising competition from commercial banks which have brazenly begun penetrating the market traditionally serviced by co-op banks. In order to come to terms with these challenges,

co-op banks must concentrate on maintaining their principal enterprise and strengthen their market share while re-focusing their strategy from product(s) to client(s) [Snarski 2012]. In the Polish banking system, the co-op banking sector has been identified with servicing rural areas exclusively, a result of where the idea of 'cooperative' originated. Currently there has been dynamic development and progress in this particular sector as seen in the expansion of co-op banks into large metropolitan areas which have been served primarily by the commercial sector [Aldlaigan and Buttle 2002]. Co-op banks frequently responded to the rising expectations of their clientele. As a result, the market position and conditions for the co-op banking sector started to change which stimulated competitiveness from commercial banking. This, in turn, places more significance on testing customer satisfaction in terms of co-op banking expansion. Furthermore, cognizance of customer satisfaction enables development of an effective competitive advantage in the market of banking services and products. Banks exist for their clientele who then participate in creating the banks' present and future; indicating the important role of the customer – the confirmation of the banks' offer – in assessing the level of service quality [Stasiak-Betlejewska and Borkowski 2010]. The appropriate understanding of quality "... does not depend on sophisticated technology or complicated banking procedures, but on adjusting the banking offer to the needs of the individual client" [Rytlevska 2011]. This type of behavior contributes to maintaining current clientele (as well as attracting new customers), and increasing their willingness to pay the charges for said products and services [Skowron 2010]. The important source of such an effect is the organization's employees and their role in effecting value, satisfaction, and consequently, customer loyalty [Hill and Alexander 2004]. Urbanek writes about the strong ties between quality, satisfaction and loyalty noting that the mentioned elements form a system and as such must be analyzed as a whole [Urbanek 2004]. The influence of customer satisfaction and loyalty on a bank's financial performance is evident [Skowron 2010]. The confirmation of this is the numerous benefits resulting from building a strong base of loyal and satisfied clients who are directly involved in a bank's profit growth; on the one hand, these satisfied and loyal customers invest more in the products and services of given bank because they are less sensitive to charge variability, among others, as confirmed by the research of Riechheld and Sasser [1990]. On the other hand, these same clients contribute to reducing costs in several areas [Rudawska 2002], such as lowered service costs [Riechheld and Sasser 1990], lowered costs of attracting new clients [Griffin 1997], lowered costs as a result of cross-selling, and lowered marketing costs [Balina, Kowalski and Różyński 2014]. Futrell's [2004] research indicated strong correlation between maintaining clients and their satisfaction and generated profits. Furthermore the same study showed that clientele loyalty is one of the more essential factors for

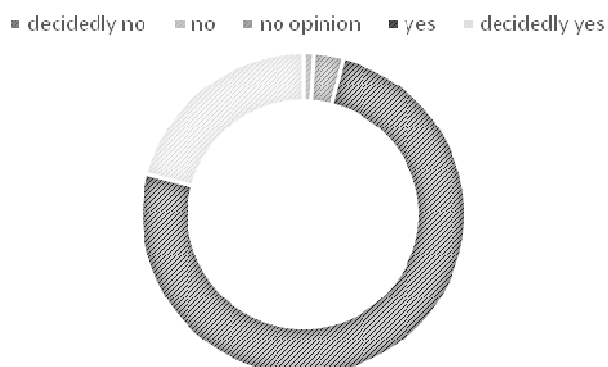
long-term company success. Other research draws attention to the profits which loyal clients are a source of [Dembńska-Cyran, Holub-Iwan and Perenc 2004], such as profits from increased purchases, lowered operational costs, profits from referred customers and profits from raised prices.

## OBJECTIVE AND RESEARCH METHODOLOGY

The objective of this article is to present how clientele from the small and medium enterprise sector rate, in terms of satisfaction, the quality of products and services offered them by Poland's cooperative banks. The empirical study was carried out in the Polish co-op banking sector during the first half of 2013 as original research involving 1,019 businesses in the SME sector doing business with 50 randomly selected co-op banks. The questionnaires were anonymous and surveyed issues such as offered products and servicing customers from the SME sector. Participants were to rate their answers to the questions using a five level scale: 'decidedly no', 'no', 'no opinion', 'yes', 'decidedly yes'.

## SATISFACTION OF CO-OP BANK OFFERS IN LIGHT OF THIS STUDY

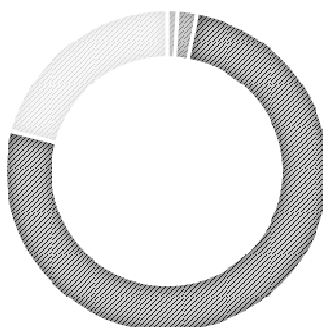
The strategy of Poland's co-op banks in the battle of survival and high standing in the competitive financial market is building permanent relationships with customers and adjusting the bank offer to individual needs which in turn generate mutual long-term benefits. First, bank customers were surveyed as to the bank's offer adjustment and its comprehensibility and readability in terms of the client's expectations. The analysis of the answers is presented in Figures 1 and 2.



**FIGURE 1.** Is the bank's offer adjusted to your needs?

Source: own research.

■ decidedly no   ■ no   ■ no opinion   ■ yes   ■ decidedly yes



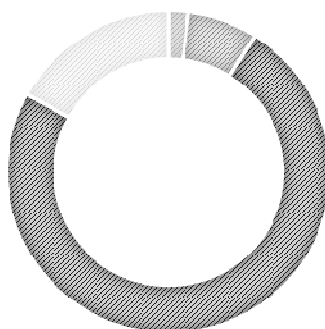
**FIGURE 2.** Is the bank's offer comprehensible and readable?

Source: own research.

Respondents positively judged the bank's offer adjustment to their needs as well as the offer's comprehensibility and readability. Over 97% stated that the offers met their expectations. Of special note is the fact that not one respondent chose 'decidedly no' in regards to offer adjustment. For 98%, the offers were comprehensible and readable. Again, no one chose to negatively assess said offers comprehensibility or readability.

Growing needs, requirements and expectations of customers determine changes in how a co-op bank functions. Particular attention should be paid to customers' opinions regarding banks' suggested digital solutions, such as internet banking, automated teller machine (ATM) networks, and payment and credit cards which results are presented in Figure 3. Ninety percent of the respondents

■ decidedly no   ■ no   ■ no opinion   ■ yes   ■ decidedly yes



**FIGURE 3.** Are the digital solutions – internet banking, ATM networks, payment and credit cards – adequate for your needs?

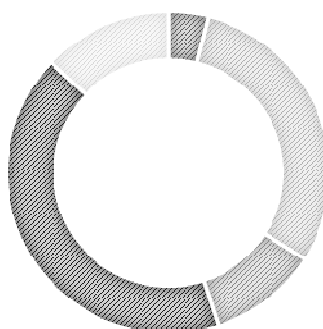
Source: own research



judged the functionality of digital services as adequate to their needs; barely 2% judged them as inadequate. However, these indications should not encourage euphoric reactions by co-op banks: the rapidly changing reality demands constant introduction of new technology so that co-op banks can effectively compete with commercial banks.

With the prevailing positive opinions pertaining to satisfaction with banking offers in mind, bank customers decidedly judged poorly the number of formalities required by co-op banks, as illustrated in Figure 4.

■ decidedly no   ■ no   ■ no opinion   ■ yes   ■ decidedly yes



**FIGURE 4 .** When contracting bank instruments and services, are formalities and requirements excessive?

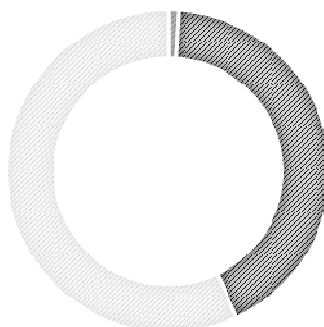
Source: own research.

Over half (54%) of the respondents noted that the protracted formalities and bank requirements are excessive. In comparison to other decidedly positive assessments, this indicator obviously shows an area for improvement as it may identify future reason for customer loss. However, it should be noted that the majority of formalities result from legal requirements and recommendations imposed by The Polish Bank Association, not internal bank procedures.

## COMPETENCY OF PERSONNEL AND SERVICE QUALITY

An additional aspect which has impact on the assessment of a bank and customer loyalty is the human factor. Frequently it is the service by bank personnel itself that decides customer satisfaction. Service quality and staff competency were rated best, as shown in Figure 5. Answering questions regarding staff competency and courtesy, respondents indicated only positive ratings; over 98% responded favorably when asked about staff competency and service quality. This testifies to

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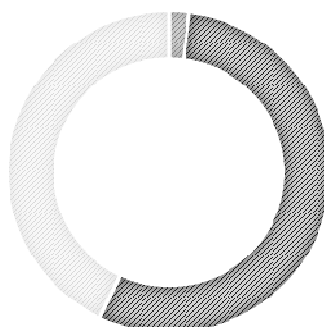
**FIGURE 5.** Are bank staff sufficiently courteous and helpful for your business?

Source: own research.

the high professionalism of bank employees who possess appropriate knowledge and are able to explain in clear and straightforward language information and conditions about a particular offer.

Clients were also surveyed about quick and efficient service as this can be another reason why someone may change their bank – lost customer. Almost 99% of the respondents were satisfied with the speed and efficiency of service at their banks; however, 1% were of the opposite opinion, as seen in Figure 6. The high ratings for quickness and quality of response by bank personnel to problems raised by customers may also have bearing on whether or not to continue patronizing a co-op bank.

■ decidedly no   ■ no   ■ no opinion   ■ yes   ■ decidedly yes

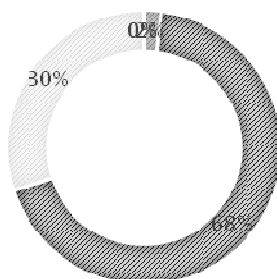


**FIGURE 6.** Is service in the bank quick and efficient?

Source: own research.

The results of the questionnaires shown in Figures 5 and 6 confirm results of surveys done by Pentor Research International (now TNS Polska) which regularly monitors consumer opinions and behavior in regard to banks (among other issues). These continuous surveys reveal that Polish co-op banks maintain higher ratings in satisfaction of service quality than commercial banks. Additionally, there is evidence that significant numbers of commercial banking clientele are considering changing banks, whereas there are indications that loyalty to Poland's co-op banks is rising.

■ decidedly no   ■ no   ■ no opinion   ■ yes   ■ decidedly yes



**FIGURE 7.** Is the bank 'open' to cooperation with your business?

Source: own research.

Nearly all (98%) surveyed indicated that their co-op bank is 'open' to cooperation with their businesses (presented in Diagram 7) which testifies to the banks' serious approach to their clients and greater flexibility to meet the customers' needs.

## CONCLUSION

A particular characteristic of Poland's cooperative banks – personal attention – can be likened to the attention a customer gets from a clerk in a small shop: both accurately remember what and when the customer made their last purchase; listen, understand and adjust the merchandise to their needs, so that the client has the distinct impression that this product is 'tailor-made' for them. This 'impression' is an essential and unique facet in building the competitive advantage of cooperative banks since the feelings of clients determine the market success of these banks. This study has shown that a mere 3% of the survey respondents indicated inflexibility on the part of the bank. This indicates accurate understanding of a client's



needs by co-op banks – they are not focused on sophisticated technologies, but on individual customer expectations and custom adjustment of the bank's product to those expectations. The high rating of competence and engagement of Poland's co-op bank personnel by the SME sector can be one of the contributing factors indicating good skills in retaining customers. High clientele loyalty should not only be seen as an advantage of a bank, but also as a determining factor for the bank's survival. It is generally believed that an 'old' client has greater value than a 'new' one because the cost of attracting a new client is greater than the cost of maintaining the 'old'. Loyal customers generate long-term profits for banks; however, a lost client becomes someone else's benefactor. The contemporary client is a value that banks should unceasingly pursue. A high level of customer satisfaction, with modern product distribution systems and services coupled with digital solutions make it feasible for co-op banks to establish the largest group of loyal customers. Customer satisfaction is a key factor impacting on a bank's market share, thus bank management should make every effort to monitor their clients' satisfaction periodically, guaranteeing the highest quality service for present and potential clientele.

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### **POZIOM ZADOWOLENIA KLIENTÓW BANKÓW SPÓŁDZIELCZYCH Z SEKTORA MAŁYCH I ŚREDNICH PRZEDSIĘBIORSTW**

**Abstrakt:** We współczesnym burzliwym środowisku gospodarczym jakość usług jest nieocenionym atutem. Banki powinny tak zarządzać, aby przetrwać i zyskać przewagę konkurencyjną. Silna konkurencja ze strony banków komercyjnych wymusza na bankach spółdzielczych ciągłą walkę o utrzymanie klientów. Jednym z elementów przewagi konkurencyjnej coraz częściej staje się jakość obsługi klientów. Ze względu na ograniczoną liczbę potencjalnych klientów na rynku wydaje się, że coraz ważniejsze staje się budowanie bazy lojalnych klientów, a nie tylko zdobywanie nowych. W opracowaniu przedstawiono badania dotyczące stopnia zadowolenia klientów z jakości produktów i obsługi banków spółdzielczych. Badania oparto na ankiecie przeprowadzonej wśród ich klientów z sektora MSP. Analiza wykazała wysoki poziom zadowolenia usługobiorców zarówno z oferty bankowej, jak i jakości obsługi w placówkach bankowych.

**Słowa kluczowe:** bank spółdzielczy, jakość, zadowolenie, lojalność, klient



