DEVELOPING RELATIONAL MARKETING IN BANKS TO INCREASE CONSUMER'S LOYALTY IN BANKING SERVICES

РАЗВИТИЕ НА РЕЛАЦИОНЕН МАРКЕТИНГ В БАНКИТЕ ЗА ПОВИШАВАНЕ НА ЛОЯЛНОСТТА НА ПОТРЕБИТЕЛИТЕ В БАНКОВИТЕ УСЛУГИ

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Abstract: The relationship between the customer and the bank is particularly important in contemporary economic conditions and needs to be continuously maintained to ensure customer loyalty and to develop long-term relationships with them. Attracting new customers can be more expensive than maintaining existing ones, the loyalty of the existing customer being a primary objective of customer management. Contemporary banks are increasingly concerned with identifying and effectively managing the long-term competitive advantages they offer to their customers in order to slow down the migration process to competitors and to retain their existing customers.

Relational marketing becomes a mandatory condition of the banks' activity in the conditions of economic and social changes, increasing the degree of technologicalization, the inclination towards the online environment and the optimization of communication channels. The competitive environment leads to different perspectives on approaching the customers, performing a series of activities designed to create, develop and maintain customer relationships.

The purpose of this paper is to identify the need to develop relational marketing in the bank in order to gain and retain loyal customers and those attracted from competing financial institutions, by promoting long-term relationship with them.

Keywords: relational marketing; customer satisfaction; customer retention; customer loyalty.

JEL classification: G21, M31, M39

Introduction. Relational marketing aims at customer loyalty, becoming more and more volatile, with higher expectations and harder to meet, as well as attracting customers from new markets. Consumer-oriented, relational marketing uses niche strategies based on behavioral criteria (lifestyle, ideas, values, concerns, etc.) to identify market niches. Effective marketing activities must have a positive impact on customer relations by offering the best product, at the most attractive price, through the nearest distribution channel, to the person who is interested. The new technologies used by banks allow the development of a business model based on efficiency, speed and high operational capacity, raising customer relationship management to another level. Operational improvements generated by new technologies allow banks to expand their customer base and provide affordable, fast and secure financial products and services, as well as an enhanced experience.

Applied methods. The concept of relational marketing is based on interaction and dialogue between the bank and the customer. The objectives of relational marketing are ambitious, such as: customer loyalty, creating partnerships, building a network of relationships, etc.

The main purpose of a marketing relationship in the bank is to build and maintain a circle of loyal consumers who are profitable. To achieve this goal, the institution must focus on attracting, maintaining and developing relationships with consumers. Pathmarajah (Pathmarajah, 1993) defined relational marketing as "a process by which the seller and the buyer come together through a long-term profitable, personal, professional and reciprocal relationship". From his point of view, this reality will be an effective, efficient, happy one, with enthusiasm and ethics. In order to achieve this goal in practice, institutions tend to:

– to offer added value, from a personal and professional point of view;

– to become the only source of support for the consumer of products, for example to bring them more peace, inner peace and security;

– to become a partner of the consumer by orientation towards the satisfaction of his objectives;

– establish a long-term relationship of trust with the consumer.

Grönroos, Ch. (Grönroos, 2004) considers that relational marketing is the foundation, maintenance and strengthening of interaction with consumers and other partners on a mutually beneficial basis, so that the objectives of the parties are achieved through the joint exchange of promises and their fulfilment. From the perspective of Zeitaml and Bitner (Zeithaml & Bitner, 2003), relational marketing is a business philosophy, a strategic orientation that focuses on retaining and "improving" current customers, rather than attracting new ones. J. Gordon (Gordon, 1998) states that relational marketing is a continuous process of defining and creating together with buyers, new values and then obtaining and sharing the benefits of this activity among the participants in the interaction.

According to branding experts P. Temporal and M. Trott (Temporal & Trott, 2001), relational marketing is, first and foremost, building a strong brand, which can be achieved through the right combination of organization, systems and processes, allowing employees to understand better of customers and, in principle, adjusting the dialogue with each customer according to his specific needs. A vital aspect is that employees have detailed information about each consumer, which will greatly increase the chances of finding additional business opportunities with existing customers and thus get the expected revenue. The distinct character of relational marketing is manifested by the following aspects (Gordon, 1998):

– aims to create new values for customers and then share them with them;

– recognizes the key role that customers play both as consumers of products and in defining the value they want to achieve;

– gives institutions the opportunity to design and integrate processes, communications, technology and staff to provide superior value to customers;

– involves constant efforts of collaboration between consumers and the institution;

– recognizes the value of the income brought by the client during his life cycle, respectively of the period in which he remains a client of the institution (customers lifetime value);

– relational marketing aims to build a chain of relationships within the institution, in order to create the value desired by the customer (the role of internal marketing is essential in achieving this goal) and, at the same time, between the institution and its main partners, including suppliers, distribution channels, intermediaries and shareholders.

Relational marketing is focused on achieving the strategic interests and objectives of partners through the use of niche strategies; retention of existing consumers; developing long-term, value-added cooperation relations; coordinating all business processes of the institution with providing value to consumers (technology, management, communications, etc.); dialogue with consumers.

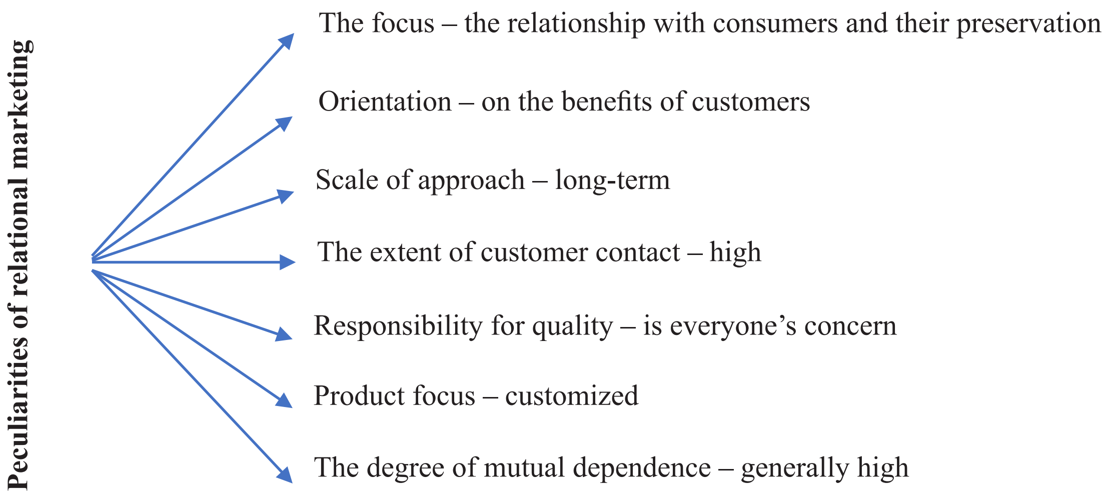

Figure 1. Criteria influencing the decision to retain the customer

The objective of the financial institution becomes the orientation towards different customer segments, the proper development of the distribution channels, the decrease of the intermediate costs so as to optimize the financial performances. Relational marketing aims at customer loyalty, becoming more and more volatile, with higher expectations and harder to meet, as well as attracting customers from new markets. Also, relational marketing highlights the need to individualize the offer according to the specific needs of the client, through continuous dialogue and personalized forms of communication (Grönroos, 2004).

In order to create the best possible relationship, relational marketing also includes the creation of easy communication channels between the consumer and the bank, with a strong emphasis on knowing the activities and information related to each consumer, in order to offer financial products and services that they desire, and to anticipate their "movements". The evolution of technology plays an important role in these actions. The Internet allows you to easily accumulate and analyze information about consumers, then offer them personalized products, personalized promotion, or free complementary services to show their appreciation for their loyalty.

The main considerations justifying the customer orientation adopted by banks are:

– the demands of consumers of financial-banking products and services are constantly growing, and banks are adapting their products and services to meet them;

– customers evaluate changes, find them beneficial and have higher expectations from banks;

– competition is fierce on the introduction of innovations and the improvement of the quality of financial products;

– customers are getting used to the innovations offered by banks and are starting to have higher and higher expectations.

Banks have begun to consider the advantages of focusing on the development of long-term customer relationships, based on mutual trust, open communication, common goals, commitment to value on each side. The adoption of relational marketing by the bank involves:

– better identification and knowledge of clients in the portfolio;

– monitoring the degree of customer satisfaction;

– acting in the direction of reducing the risk perceived by the client and his uncertainty, that he did not make the best choice;

– taking the necessary measures for customer loyalty, cultivating a long-term connection with it;

– ensuring the complex satisfaction of the demand, in relation to the momentary and perspective interests of the client;

- ensuring the conditions for the customer's attachment process to the bank to orient him towards exclusivity in purchasing and consumption.

Due to their nature and characteristics, financial-banking products and services require a longer duration of contact between the bank and the consumer, allowing the formation and consolidation of longer-term links, with beneficial effects for both parties.

Results and discussions. Kotler views relational marketing as the science and art of finding, retaining, and developing profitable clients (Kotler & Armstrong, 2004).

Attract → **Satisfying** → **Maintaining** → **The growth**

Figure 2. The objectives of relational marketing

Attracting potential customers is a priority for the bank and its marketing department is constantly inventing new ways to attract customers, to save money in deposit accounts. Due to the nature of the activity of financial-banking institutions and in the context of current competition, it becomes necessary to orient them, first of all, towards maintaining existing customers, an objective achievable by meeting customer satisfaction requirements and only later, to attract new ones. This condition was imposed as a result of the findings regarding the much higher level of costs of attracting new customers compared to those of maintaining existing customers. For the bank, maintaining the customer fund is a crucial component of the marketing strategy. Therefore, the trend of financial institutions is towards long-term services (or continuous services – they involve a long-term relationship with the bank, for example, the current account) at the expense of single services (or "one-time" services – not they necessarily imply a continuity in time of the client's relations with the bank, for example, foreign exchange) (Mistrean, 2010).

The balance between attracting new customers and maintaining existing ones has a dynamic character, proven by the changes in the order of priority of the two areas of interest, during the evolution of the financial institution and the product on the market. In recent years, banks have seen customers as "long-term" assets of the business and have realized that it is much easier and cheaper to have loyal customers than to attract new ones, so they focus on establishing long-term relationships and to discover which customers represent added value. The best method used by the bank to retain customers is to use the concept of "customer care", thus achieving the best service on the market. The concept of customer-care is directly related to customer satisfaction, referring to the idea of putting the customer first, anticipating their needs and desires, modelling products and services to satisfy them. Customer care also includes customer service, product delivery operations, good employee-customer relationship, and effective employee-senior management relationship.

Consumer-oriented (intensive development of marketing), (Bruhn, 2001) relational marketing has as technical support the digital revolution (Kotler et al., 2002). K.L. Keller (Keller, 2012) argues that relational marketing is a sustainable business concept and business strategy, with a "customer-centric approach" at its core. Customer orientation is best expressed in the statement "The customer comes first!" which means recognizing customer needs as supreme, as without customers there would be no banks. Customer sociability must be gained.

So, to become a customer-centric institution, the bank needs to follow a few steps:

– understand what customers want and use their data to discover vital information about them;

– to understand customers as well as possible and to develop products and services according to their wishes and needs;

– focus on building customer relationships;

– the planning and implementation of the strategy will be carefully formulated for customers, focused on creating and maintaining profitable and loyal ones;

Only in these conditions the bank will manage to turn customers into ambassadors of its brand, willing to recommend the financial institution, as an essential pillar in the development of a profitable and stable business. A long-term relationship requires providing satisfaction to consumers. If it wants to ensure that its loyal customer base is satisfied, the bank must constantly monitor this through satisfaction surveys. After each "monitoring" the results can be transformed into ideas to be implemented in order to increase the degree of satisfaction, they can be compared with previous results and it helps the bank to have a clear perspective on the market. The most appropriate methods to monitor consumer satisfaction are:

- the existence of the possibility of suggestions and complaints;
- feedback provided to employees and requested by employees;
- opinion polls and questionnaires;
- focus groups;
- individual and personal interviews;
- mysterious customers.

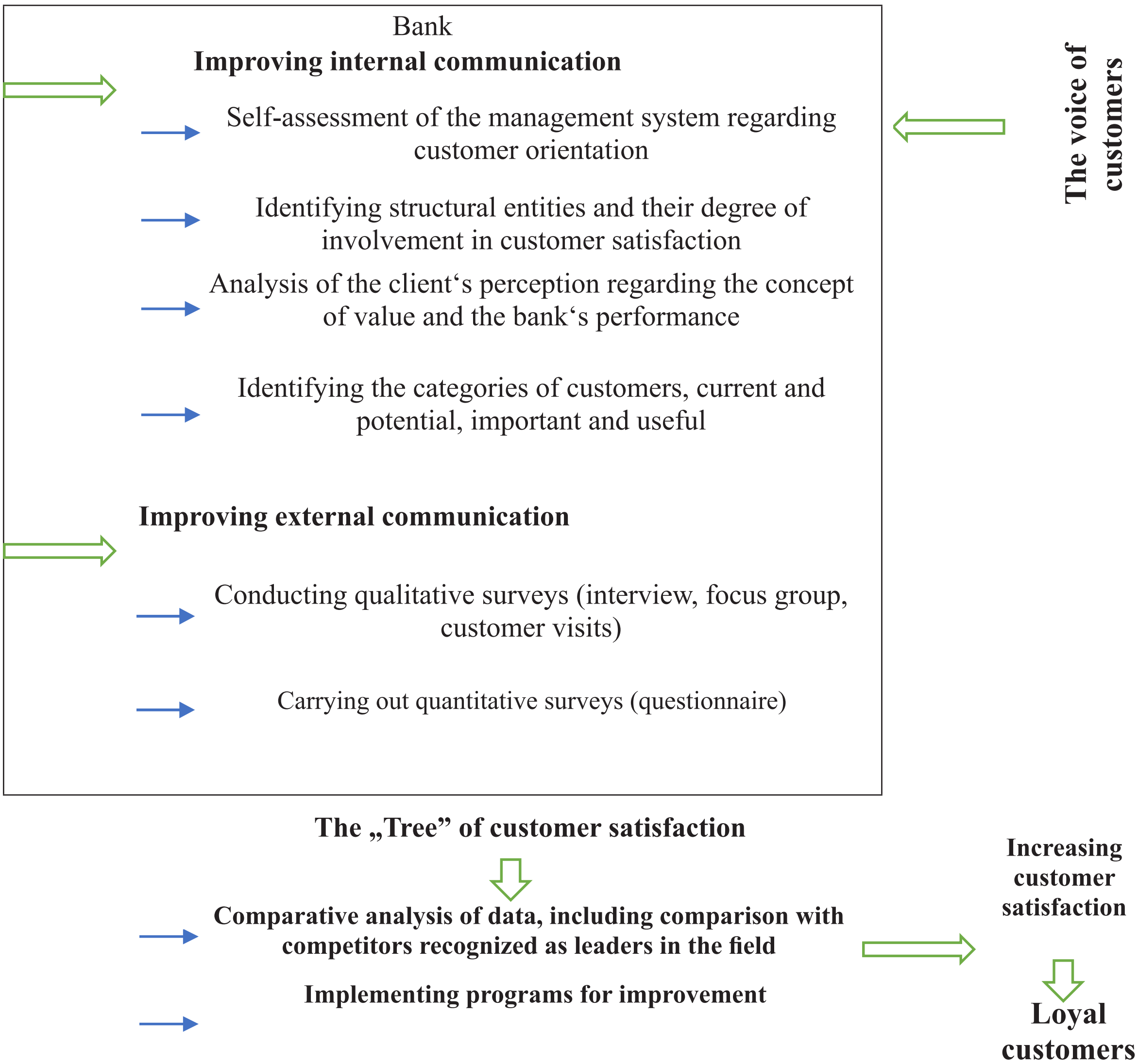

Figure 3. Evaluating customer satisfaction for loyalty (Conca & Scarpa, 2004)

The decision to launch a project to manage customer satisfaction is a strategic decision on quality management, taken at the highest level. This decision often involves a real change in behavior and a change in the culture of the financial institution. It is expected, especially in the case of "generating" complaints (by asking customers' opinions about the quality of certain products or services), that the approach will be difficult. In this case, some possible risks related to this project must be identified, such as: the risk related to not taking into account the clients' needs, the one of not having positively received the project by the employees, risks related to achieving the objectives, related to communication etc. Quality control seems to move fairly quickly from total quality to excellence, from total satisfaction to "excellent satisfaction", in the sense of exceeding customer expectations. After winning a client, the bank is interested in maintaining it and optimizing the income with which the client contributes during their relationship. The bank intends to actively develop a long-term relationship with its customers, based on mutual trust.

In a relationship based on trust, customers are tempted to make decisions in the context of the offer of products and services received over the years from banks and not to resort to single transactions. In the banking financial system, the product offered by several competing institutions is essentially the same. The customer chooses his bank based on personal preferences that are often not directly related to a particular product. In this way, establishing a relationship with the customer helps the bank to understand and identify more easily his particular needs. This facilitates the promotion and delivery of its own products and services, means that it is much easier and less expensive to increase the volume of transactions with loyal customers, than to gain new customers for each product or service. It is considered that the loss of a valuable customer is not only equivalent to the loss of the profit that would have been obtained from a certain transaction, but also means a much higher loss in the long run. In fact, the bank loses the entire flow of sales and profits that a relationship with the customer would have generated in the medium or long term. Thus, financial institutions that want to capitalize on the potential offered by the application of relational marketing principles calculate and monitor the value of the customer throughout the relationship with it (customers "life" value). This value represents the updated total of the entire profit stream that the relationship with the client generates, considering a medium or longtime horizon.

The value of the customer during the entire duration of the relationship with the bank will be higher if the associated costs are lower. Careful monitoring of costs will allow the bank to increase customer profitability. The interest in estimating the discounted value of the profits that the customer will generate determines an increase in the importance of customer retention strategies. If the customer continues to work with the supplier for a longer period, the value of the profits for the bank will be higher. Another argument that supports the importance of customer retention, is the difference in costs associated with attracting and maintaining customers in the portfolio. It is claimed that attracting a new customer is five to ten times more expensive compared to maintaining the current customer's satisfaction (Kotler & Armstrong, 2006). Sears, the major North American retailer, found that attracting a new customer is 12 times more expensive than retaining an existing customer. In essence, relational marketing is not altruistic, but is based on the principles of profitability. The organization's decisions serve its "enlightened self-interest" (Sheth & Parvatiyar, 1995). In the situation of losing customers, exploring the causes and trying to regain the customer emotionally or rationally are absolutely necessary, especially given that customers have a high strategic value for the bank. The philosophy of relational marketing is based on gaining competitive advantages for the bank, due to consumer retention, for a longer time, in the circle of permanent customers, by maintaining and increasing their level of satisfaction with the products and services purchased. (Henning-Thurau & Hansen, 2000).

Retention is considered to be the repeated purchase or purchase action performed by a customer from a bank's offer. The results of studies conducted among consumers of banking products and services, have shown that their retention rate remains high even if customers show a high level of dissatisfaction with the financial institution. This aspect can be explained by the existence of financial or structural links, which beyond the perceived dissatisfaction keep customers in the bank's portfolio and in this case, it is not about customer loyalty, because they continue the relationship with the bank rather due to the existence of financial, contractual barriers, etc., which prevent their migration to competitors for a certain period of time (Sheth & Parvatiyar, 1995). Experts say that customer retention has a beneficial impact on the bank's profitability. Sheth and Parvatiyar clarified that customer retention over a five-year period leads to a much higher profitability compared to customers gained by the bank over the past year. Moreover, it has been shown that a bank achieves, on average, a retention rate of 80-85% of all customers who make bank deposits, and a very small improvement in this indicator leads to a visible increase in profits earned by it. (Reichheld & Kenny, 1990). The criteria that substantiate the decision to invest in maintaining a certain client in the portfolio:

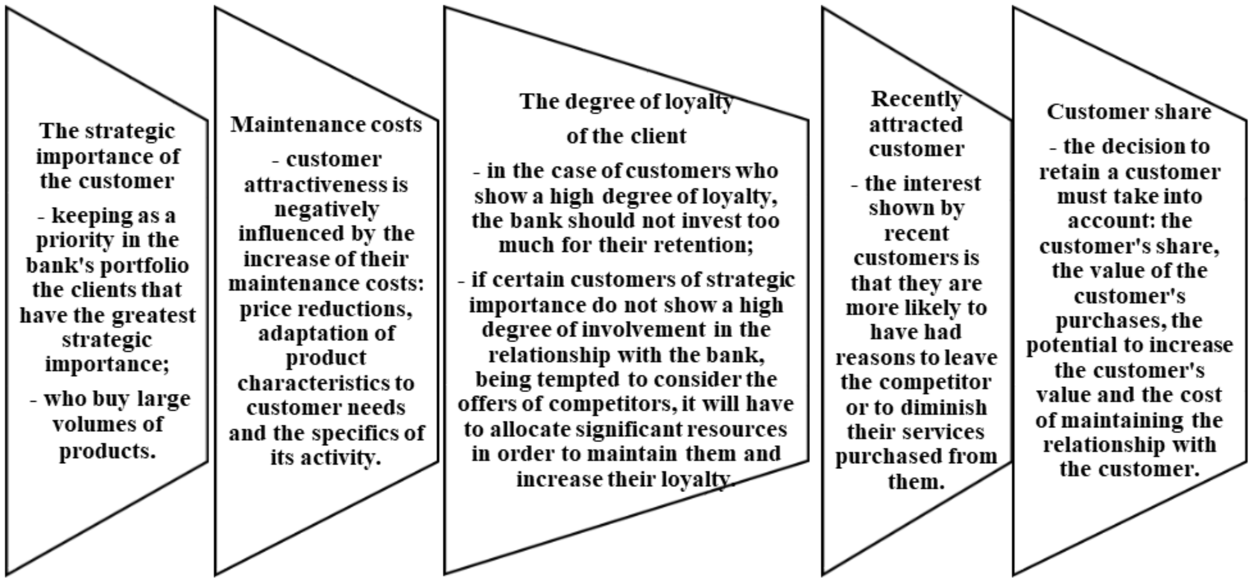

Figure 4. Criteria that influence the decision to retain the customer

This assumes that the bank becomes selective in its attitude towards customers. It manages with priority its resources and marketing efforts to the main clients, achieving a judicious ranking of them, in relation to the economic effects resulting from the collaboration with them. At the same time, it will give up the clients that require much greater marketing efforts than the economic and social effects that he obtains from them. Customer retention in the bank's portfolio in the context of relational marketing aims to increase customer value for the institution. For this purpose, it may resort to "cross-selling" and "upselling" strategies. The first strategy consists in offering and progressively selling several categories of products and services to the same customer, compared to the range purchased by the customer at the beginning of the collaboration with the bank. The second strategy refers to the sale of products and services in the category usually requested by the customer, but which have a higher margin than the products ordered by the customer during the beginning of his relationship with the bank.

What the bank is actually looking for is customer loyalty. Loyalty of a customer means the set of measures taken by the bank to keep its customers in an active state of purchasing products and services - by strengthening the favourable disposition towards the financial institution and its products, so that customers recommend them to others. Carmen Păunescu mentions that "studying the methods of implementing loyalty programs and strategies to ensure customer loyalty is particularly important in today's competitive environment, when more and more companies are setting as action objectives, in terms of customer and its loyalty, ensuring flexibility and speed of response to market opportunities; understanding current and potential customer needs and expectations; assessing the degree of customer satisfaction and ensuring the loyalty of important customers; improving the internal and external relational system and creating partnerships with loyal customers " (Păunescu, 2006).

Customer loyalty will increase if the institution changes the way they treat them, so that they meet their needs for product quality, relationship, service, and information. However, loyalty is a temporary state of mind of the customer, which is strengthened by the way they are treated in the full sense, including through service, communication and product features. Customers seek to obtain:

– opportunity and easy access to the bank's products and services;
– adequate contact and communication with the bank;
– a privileged "special" status as a known customer;
– recognizing their relationship with the bank as a business partner, not just a customer;

– effective and rapid solution of their problems;
– proper anticipation of their needs;
– a professional dialogue, friendly in both directions.

Using the information in the customer database, there is no reason why a customer loyalty program should not be set up to provide high levels of service delivery to the majority of customers.

Maintaining customer loyalty provides additional benefits to the bank. Loyal customers not only buy again, but support the products and services in front of their friends, pay less attention to the competition offer and often buy products and services from the same range. However, every customer must have a sense of satisfaction, which determines him to use more products and become a loyal customer in the long run. In fact, long-term loyal customers are the ones who will provide income to the bank. Customer loyalty improves a bank's image and can be an excellent source of advertising – satisfied customers will recommend the bank to other potential customers. The key to success in relational marketing is the client's psychological sensitivity, focusing on the emotional rewards that will be gained by the customer by understanding his needs and the circumstances that may be associated with products and services that can be adapted to his specific situations.

Conclusions. In order to increase customer satisfaction and customer loyalty, but also to remain competitive on the market, banks have adopted customer orientation. It is now imperative for banks to continuously identify and collect customer data and information in order to meet their priority objectives and their current and future needs. Assessing customer satisfaction and loyalty is a medium and long-term goal of the bank and is correlated with its performance indicators. A customer-oriented bank, with well-structured and implemented loyalty programs, is able to predict their future behaviours and, as a result, to better meet their needs and expectations.

By knowing what creates value for the customer, collecting and analysing relevant customer data and information, constantly and dynamically adopting methodologies that meet their requirements, banks will become able to develop long-term customer relationships that can benefit for all stakeholders.

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