Word of Mouth Marketing and the Impact on Banks' Portfolio of Clients: Research at the Main Banks in the Central Region of Romania

Elena Lidia Melnic

Transilvania University of Brașov
melnicelenalidia@gmail.com

Abstract

This paper's purpose is to illustrate the impact of word of mouth advertising on a Banks' portfolio of clients and ultimately how that impacts the banks' portfolio. This research was based upon a quantitative marketing survey carried out in the Central Region of Romania using online questionnaires. The research has three objectives. Firstly, to assess how likely an individual is to recommend their main bank to acquaintances or friends (Net Promoter Score) and the reasons why they don't recommend their main bank. Secondly, to determine how likely it is that a client would consider using the services and products of their main bank in the future (Future Intention). Thirdly to determine how satisfied clients are with their main bank generally (General Satisfaction). Although there are many international researches on the quality of services, none of them highlights the methodology of Net Promoter Score on the local banking sector and how loyalty can be built. This study also offers a hierarchy of the banks from Central Region based on NPS score. The findings of the research show that only 48% of clients are loyal to their main bank. They are direct promoters of the brands in the market and spread their great experiences on daily dialogs. Jeff Bezos, founder of Amazon.com, said: "If you do build a great experience, customers tell each other about that. Word of mouth is very powerful".

Keywords: word of mouth marketing, advertising, quantitative marketing research, survey, banking.

JEL classification: M31, G21.

1. Introduction

Consumers tend to recall both positive and negative experiences, but in no case the common, day-to-day experiences. This is true not just within the banking financial services sector but across the general consumables market. This promotes the idea of giving clients a memorable experience when they encounter the bank, as they share their impressions, on average, to another three people.

According to Nielson, in 2012 consumers around the world said they trust recommendations from friends and acquaintances above all other forms of advertising.

Consumers are more emotionally bonded to a bank, when they feel the company listens to them. That is why banks have sales representatives discuss their products and services with consumers personally or through a feedback phone or email line. (Kenton, 2019)

Taking into account the current context, the banks operate in a mature market where loyal customers closely relate development opportunities to the degree of recommendation in the market.

2. Literature review

When speaking of word to mouth marketing, we speak about satisfaction and loyalty. Customer satisfaction and customer loyalty are vital for modern day business. Firstly, customers are scarce resource. Secondly, customer satisfaction and customer loyalty have positive effect on the profitability of the companies in general and on the banking sector in particular. (Rosenberg and Czepiel 2017.) Customer satisfaction is also a barometer to predict the future customer behavior (Hill et all, 2007.)

As the level of satisfaction is influenced by customer's emotional perceptions (Zeithal and Bitner, 2009), high level of customer satisfaction can provide benefits like customer loyalty, extended life cycle of customer and increased customers positive word of mouth communication.

When the customers are satisfied with the banking products or services they buy more and recommend the bank (the products or the services) to other potential customers. (Tao, 2014.)

Thomas and Tobe (2013) emphasize that "loyalty is more profitable". The expenses to gain a new customer are higher than the ones to retaining the existing ones. Loyal customers encourage others to buy and think more than twice before changing their main bank. Customer loyalty is not gained accidently, but is constructed through the sourcing and designing decisions. Designing for customer loyalty requires customer-centered approaches. Therefore, banks who want to know a customer's full value include a measure of the client's ability to bring in new customers. The common way for this estimation is to determine the customer's willingness to make referrals. At a macro level, as Reichheld points out, it *is* positively correlated with a company's profit growth. (Kumar, 2007)

As Fred Reichheld reminds us in his December 2003 Harvard Business Review article, "The One Number You Need to Grow," the value of every customer does not reside only in what he/she buys but in what he/she is prepared to tell others about the company. (Kumar, 2007).

3. Methodology and framework

The research lasted three months and was performed in the first quarter of 2018 on mature population from Center Romania. It consists in two stages: data collection through online interviews using Computer Assisted Web Interviewing (CAWI) method and data analyze using Statistical Package for Social Sciences (SPSS). The interviews were carried out in the sixth counties: Brasov, Covasna, Harghita, Sibiu, Mures and Alba.

The minumum age was a criteria to the research due to the specificity of the subject analyzed. Thus the youngers below 18 years old were considered inadequate for the reasearch since they don't have a good understanding of the banking sector and how it operates.

The questionnaires have been distributed both in the urban and rural spaces through email, groups and social sites. The most important platform used was Facebook, since it covers over 9.600.000 accounts with 44.44% rate of penetration, according to their official site statistics.

There were collected 384 questionnaires. The population interviewed is compound by 45% male and 55% female, out of them 49.2% are married while 50.8% are unmarried. Most of the respondents are between 30 and 39 years old (33%) earn between 2000 and 3999 RON (39.8%), have a university degree (36.7%), work as employees (63.3%) and live in the urban space (82%).

In order to measure the "word of mouth" consumers were asked about their willingness to recommend their bank to their friends and acquaintances using Fred Reicheld's Net Promoter Score (NPS). The analysis followed multiple research axes to determine how likely it is that a client would consider using the services and products of their main bank in the future.

These studies use the same appreciation scale from 1 to 10, where marks from 1 to 6 define ***unsatisfied*** customers, 7 mark define ***neither satisfied, nor unsatisfied custmers***, 8 mark define ***satisfied*** customers, 9 mark define ***very satisfied*** customers and 10 mark define ***extremely satisfied*** customers.
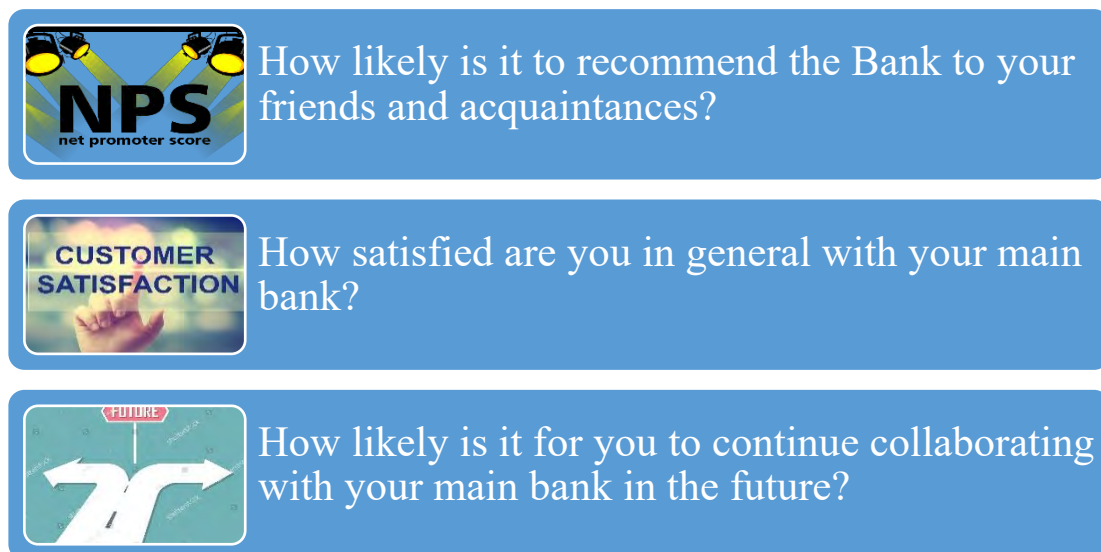
Figure 1. NPS studies

Source: Adaptation on Fred Reicheld "Ultimate Question For Driving Good Profits and True Growth", 2006

Clients who ranked 9 and/or 10 for all three areas investigated (Net Promoter Score, Future Intention and General Satisfaction) are defined as the Secured Clients Index. Thus, customers are classified as follows: (Adapted from Heskett et al.2011, 71.)

o LOYAL-Customers with the high rate of satisfaction and high loyalty. They are the most profitable and stable customers on the long run.
o AMBIVALENT-Customers with the above average satisfaction rate, but with the rate of loyalty below average. They do not feel the attachment to the brand and are receptive to competition offerings.
o CAPTIVE-Customers with a low rate of satisfaction, but with an above-average level of loyalty. They are involved with the bank through long-term products (e.g. credits), but actively seek alternatives in the market. The retention rate is not favorable for a long time.
o MIGRANTS – The most dissatisfied customers, with the lowest loyalty. They are most likely to accept competition offers and to propagate negative communication towards the brand in the market.

4.1. The promotion of banking services and products by word of mouth in the Central Region of Romania

For a bank, the Net Promoter Score (NPS) value is an extremely relevant indicator of the customer's loyalty level.

Respondents are thus divided into three categories: fans (promoters), neutral (passive) and critics (detractors), depending on the answer given to the question; "*How likely are you to recommend the bank to your circle of knowledge/friends?*"

The Net Promoter score (NPS) is calculated as the difference between the percentage of promoters (fans: those who award grades 9 and 10) and that of detractors (critics: those who award grades from 1 to 6). The neutral respondents (who award grades 7 and 8) are not counted. (Kotler and Lane, 2016).

Since the introduction of the Net Promoter concept there has been a vivid and ongoing debate among academics and practitioners about the performance of the Net Promoter Score (NPS) in comparison to other customer metrics, such as customer satisfaction. (Doorn et all, 2013)

By applying the *Crosstabulation function* from SPSS regarding the level of recommendation in the market and the customers' main bank, it results that customers mainly give "10" points for their main bank, followed by "8".

Table 1. The level of recommendation for banks in the Central Region of Romania in Q1 2018

	1 Definitely NOT	2	3	4	5	6	7	8	9	10 Definitely YES
Banc Post	1	0	1	0	1	1	0	0	0	0
Transilvania Bank	0	0	0	2	0	0	1	10	11	17
BCR	0	0	1	0	4	4	6	13	7	19
BRD Groupe Société Général	3	0	1	0	5	3	21	30	20	36
CEC Bank	0	0	0	0	0	0	2	10	7	14
Credit Europe	0	0	0	0	0	1	0	0	0	0
Garanti Bank	0	0	0	0	0	0	1	1	0	0
ING Bank	0	0	0	1	3	1	4	7	13	24
OTP Bank	0	0	0	0	1	0	0	1	1	0
Patria Bank	0	0	0	0	0	0	0	0	1	0
Piraeus Bank	0	0	0	0	0	0	0	0	1	1
Raiffeisen Bank	0	0	1	0	1	2	6	11	1	9
UniCredit Bank	0	1	0	1	1	0	3	1	0	3
Total	4	1	4	4	16	13	44	84	62	123

The average NPS score is 40%. The highest rates of 100% were obtained by the niche Banks: Piraeus Banks and Patria Bank. At the opposite end of the spectrum, with -100%, were Credit Europe and Bancpost.

Of the main banks, those who obtained a higher average score are Transilvania Bank (63%) and ING Bank (60%), while BRD Groupe Société Général (37%), BCR (31%) and Raiffeisen (19%) obtained scores below the NPS average.

As evidenced by the statistics:

6 positive recommendations ⟶ +1 new customer
1 negative recommendation ⟶ - 5 positive recommendations
1 negative recommendation ⟶ - 0,83 of new customer
1 critic ⟶ 4-6 negative recommendations
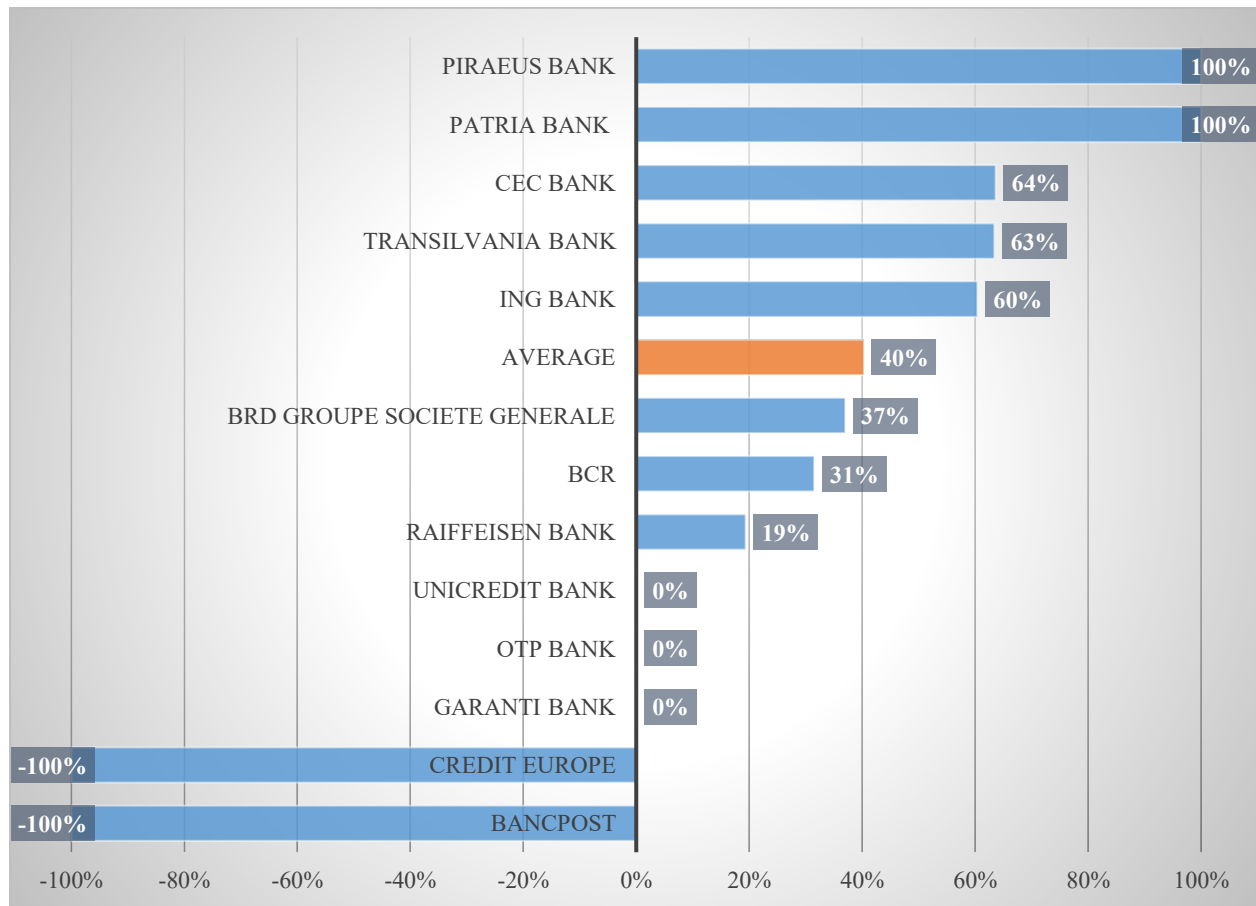1 critic ⟶ - 4,15 of new customers

Figure 3. The NPS Score for Banks in The Central Region in Q1 2018
Source: Author's elaboration based on survey

The research also looks at the main reasons given for not recommending a bank. These are; high commissions, indifference of banks' representatives, lack of transparency, low level of flexibility, lack of promptness, poor communication (e.g. customers having to insist in order to receive the desired information), technical problems with home banking services, and old informatics systems.

4.2 The future intention of customers in continuing the collaboration with their main bank

Next, the research looks at how likely it is that a customer would consider using the services and products of their main bank in the future. Customers were asked the following question: "How likely are you to continue collaborating with your main bank?"

It is noted that the responses of "10" are prevalent, with a frequency of occurrence of 136, followed by responses of "8", with a frequency of occurrence of 82 and then by "9", with a frequency of 76.

By applying the *Crosstabulation function* from SPSS, regarding the future intention on continuing the collaboration with the bank and the actual main bank it results the following distribution:

www.etimm.ase.ro

Table 2. The future intention of customers from Central Romania to continue their relationship with their main bank in Q1 2018

	1 Not likely at all	2	3	4	5	6	7	8	9	10 Highly likely
Banc Post	1	1	0	0	0	1	0	1	0	0
Transilvania Bank	0	0	1	0	1	0	1	5	13	20
BCR	0	0	0	1	2	3	4	11	15	18
BRD Groupe Société Général	0	2	1	1	8	3	6	33	19	46
CEC Bank	0	0	0	0	0	0	1	9	7	16
Credit Europe	0	0	0	0	0	1	0	0	0	0
Garanti Bank	0	0	0	0	0	0	0	1	1	0
ING Bank	1	0	0	0	1	2	4	9	11	25
OTP Bank	0	0	0	0	1	0	0	0	1	1
Patria Bank	0	0	0	0	0	0	0	0	1	0
Piraeus Bank	0	0	0	0	0	0	0	0	1	1
Raiffeisen Bank	0	0	0	1	2	1	4	11	6	6
UniCredit Bank	0	0	0	0	0	2	3	1	1	3
Total	2	3	2	3	15	13	23	82	76	136

Based on customers answers from 0 to 10, it was determined a score for each bank. Every mark received different points, such as 0 received 0 points, 1 received 10 points, 2 received 20 points, 3 received 30 points and so on so forth, till 10 received 100 points. The score was determined as weighted mean, with values between 0 and 100.

The following banks obtained the highest scores: Piraeus Bank (95); CEC Bank (92 points); Transilvania Bank (91 points); Patria Bank (90); ING Bank (88); and BCR (86). These six banks all scored above the regional average of 86 points. Below average are Garanti Bank and BRD Groupe Société Général with 85 points, followed by Raiffeisen and Unicredit. Banc Post occupies the last position (score 50 points).
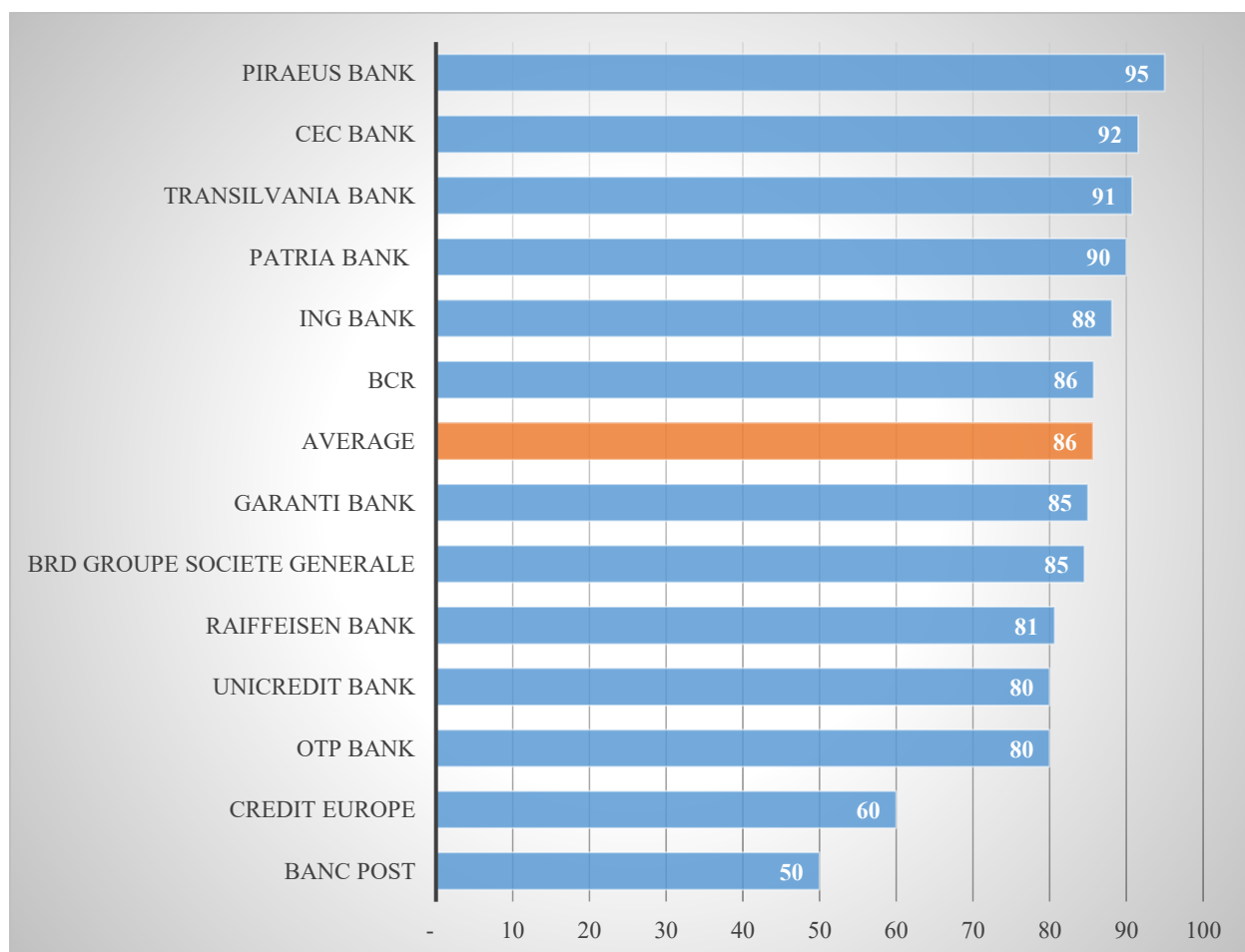
Figure 4. Future intention of customers from Center Region to continuing the collaboration with their main bank in Q1 2018

Source: Author's elaboration based on the survey

4.3 General Satisfaction of bank customers from the Central Region

Customers were also asked about how satisfied they are with their main bank.

Using the same methodology as described above for future intention, every mark received different points, such as 0 received 0 points, 1 received 10 points, 2 received 20 points, 3 received 30 points and so on so forth, till 10 received 100 points. The overall satisfaction score was determined as weighted mean.

The average score was 83 points and the top scores were allocated to niche banks, such as Piraeus Bank (95) and Patria Bank (90).

CEC Bank, ING Bank, Transilvania Bank and BCR follow them, with scores above average. Immediately below the average are BRD Groupe Societe Generale and Raiffeisen. Bancpost takes the last place.

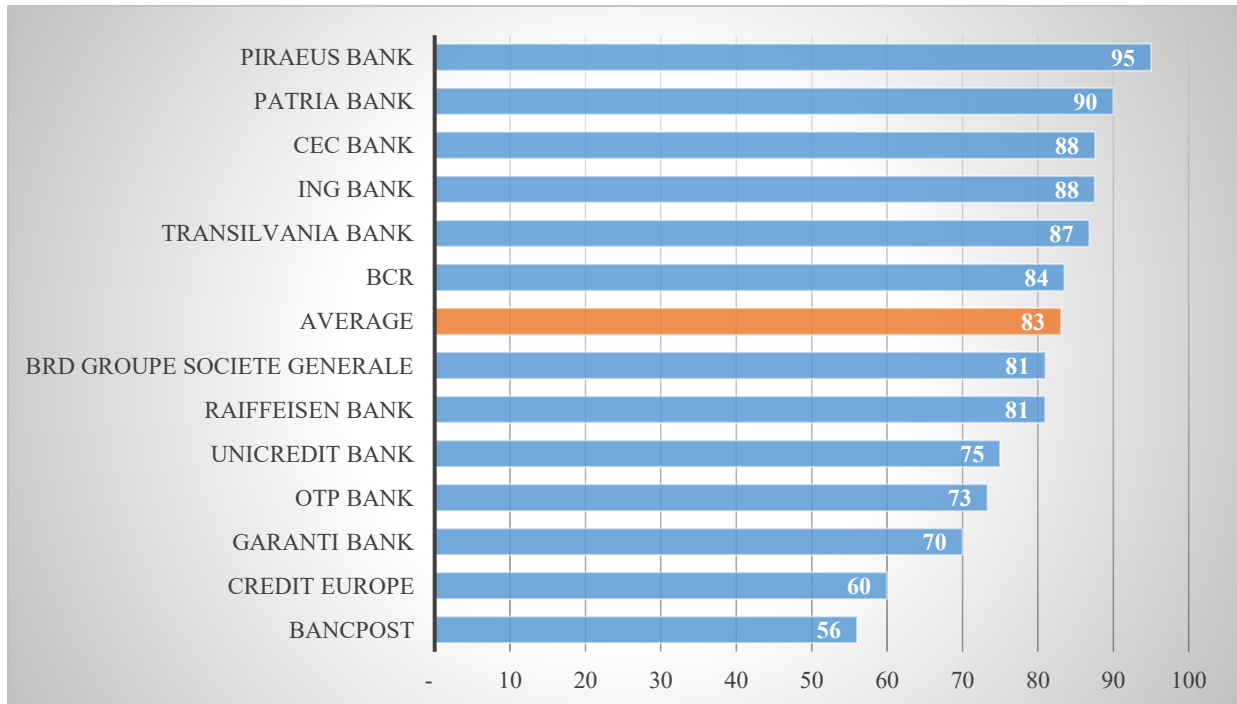The rankings are presented in the following figure.

Figure 5. General satisfaction of customers from the Central Region in Q1 2018
Source: Author's elaboration based on survey

4.4 The Customer Security Index

Clients who ranked 9 and/or 10 for all three areas investigated (Net Promoter Score, Future Intention and General Satisfaction) are defined as the Secured Clients Index.
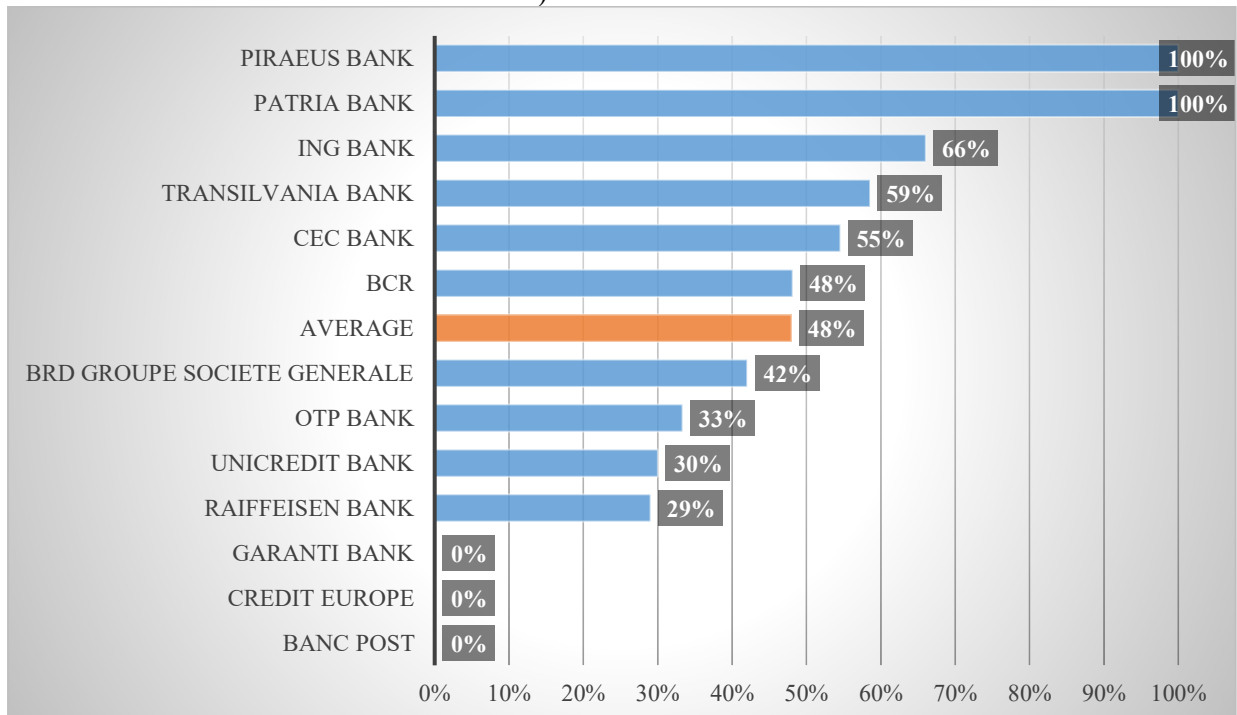

Figure 6. The Customer Security Index in the Central Region in Q1 2018
Source: Author's elaboration based on survey

Among the main banks, the best ranked is ING Bank (66%), followed by Banca Transilvania (59%) and then BCR (48%). Below average are: BRD Groupe Société Général (42%), Unicredit (30%) and Raiffeisen (29%).

5. Conclusions

Using the NPS methodology to determine the impact of word of mouth to the bank portfolio of clients, the research indicates that 48% of customers are secure clients. These are customers that banks can rely on to continue their relationship with and who are direct market promoters of the banks' brand.

The remaining 52% belong to one of three categories, they are either: very receptive to competition; dissatisfied; or actively seeking to refinance elsewhere.

Moreover, this research has been helpful in explaining why customers do not promote their main bank in the market. Customers reasons are linked either to high cost, or to negative experiences that they had with the bank's staff, either because of perceived lack of professionalism, lack of efficiency, lack of promptness and/or faulty communication.

Overall, customers' satisfaction with the main banks from the Central Region can be indicated as follows: the highest rankings are represented by ING (88), Banca Transilvania (87) and BCR (84), while below average are BRD, Société Général and Raiffeisen, with a score of 81.

As for NPS, Banca Transilvania recorded the highest score amongst the main banks (63%) followed by ING Bank (60%). Conversely, BRD Groupe Société Général (37%), BCR (31%) and Raiffeisen (19%) scored lower rates than the NPS average.

By applying the same scoring methodology (as used to rate overall satisfaction), it can be noted that Banca Transilvania (91), ING Bank (88) and BCR (86) scored the highest scores on the future acquisition intention. These banks have been situated in the first half of the ranking, while BRD Groupe Société Général and Raiffeisen with 85 points were in the second half of the ranking.

The Romanian banking market has reached a certain degree of maturity, and the future expansion techniques of banking institutions can no longer be based on extensive approaches, but rather on the intensive ones. The quality of services has become a distinguishing factor between players in the field.

6. Research boundaries

There are a number of limitations to this research, namely:
o There was no interviewer to provide explanations if needed. This means that it was not possible to record incomplete questionnaires (Google Docs sends the questionnaire to the database only after it has been fully completed).
o Online research requires access to a computer and internet. This certainly limited the number of responses. That said, the use of online research has meant that answers could be obtained from across the entire region surveyed.
o The survey used only simple scales with the majority of questions allowing only for closed answers. This structure was chosen knowing that in modern life everyone's time is increasingly limited.
o The inability to determine: the number of individuals who refused to complete the surevy; the size of the population surveyed; and the demographic characteristics of the respondents.

However, the research is a very good starting point in measuring the impact of word of mouth communications on Banks, since there are no public results on the NPS scores, General Satisfaction, Future Intention, Customer Secure Index or other research on this issue in the

Central Region of Romania. The conclusions reached in this study may be extended usefully to other regions and may be applied when developing future marketing policies and strategies.

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