



# Quality Management Assessment Focus to Customers' Satisfaction to Raiffeisen Bank Romania

Violeta DRAGOI\*

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## ABSTRACT

Credit institutions have an important role in the economic and social development of a country because they represent the vital centers of an economic system, designed to identify the financial needs of the clients in order to cover them by creating and launching on market financial and banking products and services. In an bank, the marketing leaders must identify the products and services that meet the customer requirements, to upgrade financial and banking products and services, to create and launch new products and services on the market, to set up the adequate price, the way to promote and especially must find the most efficient distribution channels to make the products accessible to customers in the time they need. The paper gives an overview of main types of distribution channels used by Raiffeisen Bank in order to obtain a competitive advantage by providing personalized services in a timely and effective cost.

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## 1. Introduction

Over the time technological progresses and innovations on IT and communication domain have influenced the organization and functionality of Romanian banking system leading to a strong competition between banks and credit institutions which led also to the diversification of banking products and services as customers had required.

If until the end of XX century, banks were focused on providing offers, resulting in banking products and services required by the market, and the operations were carried out "face to face" at the bank, at the beginning of XXI century, the attention has turned to improving the servicing of clients by introducing a quality and competitive banking products and services offer.

Initially, banks worked on the principal of units' expansion, having qualified staff who inspiring customers' confidence, but through an efficient management of distribution channels, there was an activity restriction in banks to promote banking products and services.

Currently, within the market economy, banks were forced to change the marketing strategy in order to better satisfy customer requirements, which affects the performance of banking and economic growth.

Customer satisfaction is determined by the total supply quality of banking products and services that has a vital importance of the success of a bank because it was shown to be closely related to repurchase, loyalty and profitability.

The bank will be successful only if its current and potential clients will know, buy and trust in its products and services because they meet their financial needs.

Currently, they focus on the customer relationship management which is the key factor of banking supply quality because it is easier and more profitable for banks to keep the current clients in order to establish long-term relations with them than to find new strategies to attract new customers.

## 2. Quality management into „bank-client relationship” a key factor focus to customer's satisfaction

Bank-client relationship management aims the expansion and diversification of business relations between bank and its clients, on long term, based on mutual trust.

The customer is the most important person, on which depends a bank's activity and without which the bank could not work. Therefore, the bank must choose distribution strategies that facilitate the contact with customer, through its expectations are met, while the customer is the source of profit for the bank.

An important factor that determined the appearance of customers' relation management is the strong competition in the last two years, because globalization has allowed expansion of the international banks branch network that led to the impossibility of a competitive differentiation. But, to increase the

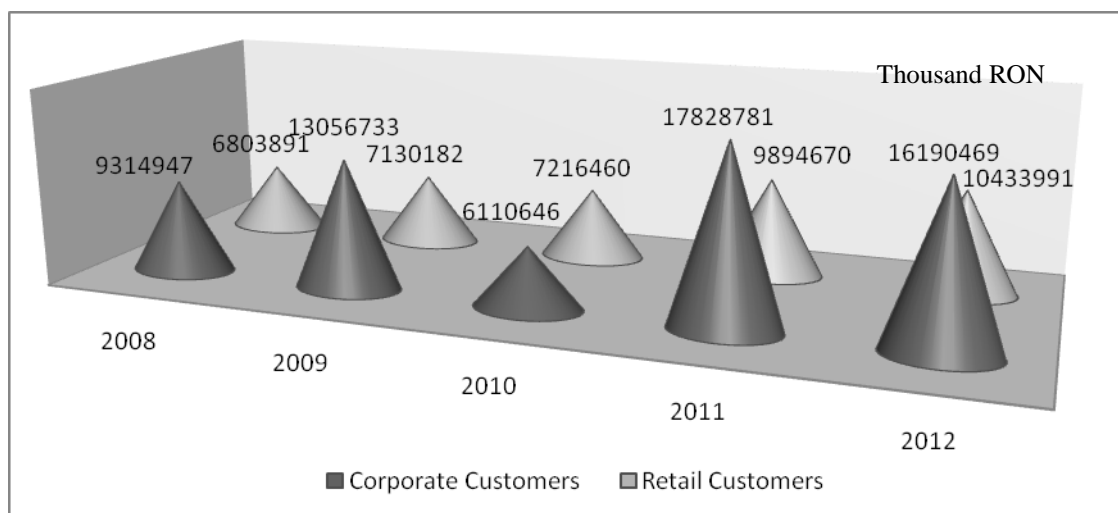
\*Valahia University of Targoviste, Romania. E-mail address: violeta.dragoi@yahoo.com (V. Dragoi)

performance level of a bank, it has to be able to better use the resources and information through an adequate management. So, the way to obtain a competitive advantage for retail banks translates into loyalty of customers by optimize products costs, while for corporatist banks it is important to have the flexibility to could offer personalized services according to each clients` needs.

To retain customers, but also to attract new ones, in 2009 Raiffeisen Bank aims to create a friendly atmosphere in its agencies, launching the "Friendly Bank". "We focused on customers` needs and reward the long-term relationship with the bank- by preferential interest, fees and taxes exemptions or loyalty schemes. But we want more: to build a relationship based on trust and to offer to our customers a pleasant atmosphere from the entrance of a bank. We have a very positive response to the "Friendly Bank" that encourages us to continue" (Minea, 2011). Following the launch of the program called "Friendly Bank" the results were the growth of customers` satisfaction and improvement of the relation between clients and bank.

Given the good results of lending activity, Raiffeisen Bank maintains the strategy to focus on the relation with retail customers and SMEs grant through efficient products in terms of capital consumption. Thus, changes in the level of loans to households and companies are represented in the chart 1.

**Chart 1. Retail and corporate customers of Raiffeisen Bank in 2008-2012**



Source: Annual Reports of Raiffeisen Bank Romania

Regarding commercial lending, Raiffeisen Bank Romania focuses both on lending individuals and legal entities resident in Romania. Looking at the chart above, we can see an increasing trend of retail customers in the period 2008-2012, while the corporate customers show increases until 2009, after which in 2010 is reduced by half, and in 2012 to double up, reaching RON 17.828.781 thousand. 2012 is the year that brings a reduction change of corporate customers with 9.18%, compared to previous year.

### 3. Distribution policy- the key to maintain customers loyalty

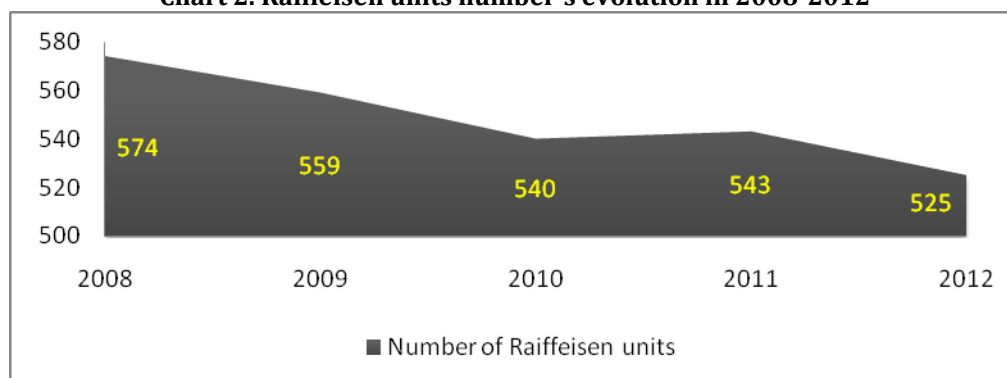
To serve the clients` needs banks have to consider the distribution channels types that allow meeting the existing financial needs of the customers in a timely and with a cost-effectively.

To provide a complex range of products to all customers, banks use the current diversified distribution systems such as: territorial units (branches), kiosk banks, cards, computerized instruments, payment systems, electronic banking, telephone banking, remote banking, mobile banking, bank employees, freelancers, agents or brokers, third parties-dealers. (Cetină, Odobescu, 2007)

The products and services provided by Raiffeisen Bank are of the highest quality and are offered to individuals, SMEs and larger corporations through several distribution channels such as: banking units networks, ATM and EPOS networks, informational systems as phone banking (Raiffeisen Direct), mobile banking (Smart Mobile) and internet banking (Raiffeisen Online).

Regarding the Raiffeisen branches networks, is has been extended until 2008, when started to decrease, reaching from a total of 574 agencies to 525 units at the end of 2012. This decreasing trend is represented in the chart 2:

**Chart 2. Raiffeisen units number's evolution in 2008-2012**



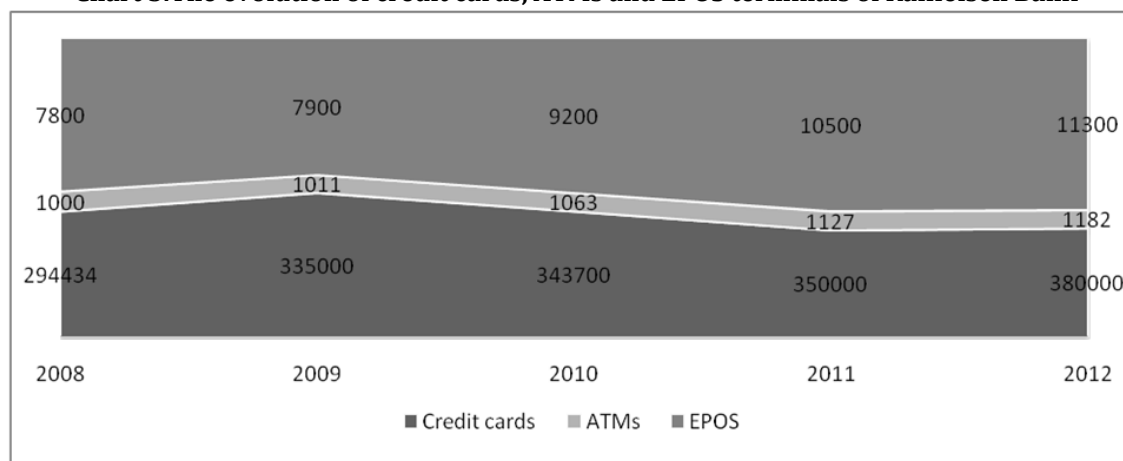
Source: Annual Reports of Raiffeisen Bank in 2008-2012 years

Thus, we can see the negative trend of Raiffeisen agencies' number which decreased by 15 units in 2009, continuing to decline also in the next year by 19 units, reaching to a number of 543 units in 2011. The decreasing trend of network agencies continued until the end of 2012, when the number reached 525 units.

Most bank units are 98 in Bucharest, followed by the counties: Constanța – 28 bank units, Prahova – 22 bank units and Cluj – 20 bank units.

Regarding the development of ATMs and POS terminals available to customers by Raiffeisen Bank, it is in a continuing development, in 2008-2012 the number of ATMs increasing by 18.2%, while EPOS number is almost doubled, reaching at the end of 2012, 11300 terminals.

**Chart 3. The evolution of credit cards, ATMs and EPOS terminals of Raiffeisen Bank**



Source: Annual Reports of Raiffeisen Bank, processed data by the author

These increases of ATMs and EPOS terminals were necessary in order to allow cash withdrawals or payment operations, taking in consideration that the number of both bank account and credit cards has increased significantly.

Thus, the number of bank accounts increased in 2009 by 7.8%, compared to the previous year, while the portfolio had a number of 335.000 cards in 2009, with 40.566 more than in 2008. The largest increases of EPOS number were in 2010 and 2011, with 1300 terminals, one of the reasons being the launch of a program by Raiffeisen Bank, by which credit cards holders could purchase various products from partner shops using those cards and paying rates without interest. Maintaining this growth rhythm also in 2012 was due to implementation of "cash back" service, unique in Romania.

Developing a network of 1000 ATMs led to processing a number that exceed 33.2 million deals, worth the RON 13 billion, while EPOS terminals has reached a number of 7800, facilitating the processing of a number over 14.5 million deals, worth the RON 1.9 billion.

As one of the main card issuers, Raiffeisen Bank made a number of over 2 million monthly deals, both by EPOS and Raiffeisen Online internet banking. Thus, in 2009 the number of deals made by card increased significantly by 22%, compared with the previous year.

In 2012, the most attractive financial product was also the credit card, the number of new accounts was 94.000 thousands, leading to an increase of cards portfolio by 8.57% and reaching a total of 380.000 accounts. Concerning the ATMs and EPOS network, this has greatly expanded, the number of EPOS exceeding 11.300 terminals.

In this year, the main channels offered by Raiffeisen Bank were:

- ◆ Mobile banking service (SmartMobile) for which the number of customers reached 33.000 in only 18 months;
- ◆ Internet banking service (Raiffeisen Online) which knew changes and improvements until the end of 2012.

Using these channels, have made that the most transactions and payment orders to be electronically. Thus, Raiffeisen Bank came to process significant amounts (approximately 4 million euro) in 2012. Improvement of distribution system at Raiffeisen to serve the customers' needs had an important role in achieving banks goals with maximum efficiency and effectiveness and generated an increasing evolution of this bank on the market as shown in the table 1.

**Table 1. Market share evolution**

Bank	Market Share 2010	Market Share 2011	Market Share 2012
BCR	19.8%	20.1%	20%
BRD	13.9%	13.6%	13%
CEC BANK	6.4%	7%	7,9%
TRANSILVANIA BANK	6.2%	7.3%	7.8%
RAIFFEISEN BANK	6.5%	6.7%	6.8%
UNICREDIT TIRIAC	6%	6.3%	6%
VOLKSBANK	5.8%	5%	5%
ALPHA BANK	6.2%	4.7%	4.5%
ING BANK	3.6%	4%	4.5%
BANCPPOST	3.9%	3.5%	3.2%
<b>TOTAL</b>	<b>78.3%</b>	<b>78,2%</b>	<b>78.6%</b>

Source : <http://i1.wp.com/www.businesscover.ro/wp-content/uploads/2013/02/Analiza-competitiei-din-Romania-cota-de-piata-sursa-Ensign-Management-Consulting.jpg>

#### 4. Conclusions

The way to gain a competitive advantage for Raiffeisen Bank is focused to customer's loyalty through more efficient distribution system to improve the customer service of Raiffeisen Bank.

After 2008, to increase brand loyalty, Raiffeisen Bank has focused to high quality and experience, and put the customer in the center of its attention.

In 2012, there have been several improvements at Raiffeisen Bank, one of them being the implementation of Customer Relationship Management system allowing a much more easy adaptation of a diversified range of products and services to the requirements of various customer categories.

Thus, Raiffeisen Bank managed to make important progresses, reducing their operational costs by about 7%, in a quite uncertain context, which resulted in a decrease to 88.9 million euro of the profit in 2012. However, in 2012 the number of customers increased by 60.000 more than at the end of the previous year. Regarding lending, the volume of loans remained stable at the level of 3.52 billion in 2012, compared with the previous year, because the crisis has stopped the require in the segment of individuals, but also companies have been reluctant to invest large amounts. Non-performing loans have reached an 18.2% level, up by 3.9% in 2012, compared with the previous year. Despite the difficult economic climate, characterized by an increase in inflation and a decrease of currency, lending all customer segments by Raiffeisen Bank, has been an advantage to the bank, which helped to maintain market share in the segment of loans granted to households. Regarding the solvency ratio, it wasn't very affected by the growth of non-performing loans volume, remaining at a high level of 14.6% at the end of 2012, down by 0.3%, compared to the level reached in the previous year.

The trend regarding lending remained the same in 2010-2012, namely: mortgage loans and corporate loans had a stronger dynamic compared with consumer loans, but by the end of 2012, customers facing a tendency towards savings, and less towards lending. This has prompted banks, including Raiffeisen Bank, to reduce both the number of units and the number of employees. Another reason was the evolution of electronic payments which increase the trend towards automation, generated by the technological progress.

In conclusion, Raiffeisen Bank, to provide the full offer of products and services to customers, must set a strong relation between bank and customers, leading to retention, and loyalty, because only under these conditions will increase bank performance.

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