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## RELATIONSHIP BANKING MARKETING AND ITS IMPLICATIONS ON PIRAEUS BANK

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### Abstract

*Transformation of the European Union in accordance with the objectives proposed by the Lisbon strategy in the most competitive and dynamic economy based on knowledge, able to provide jobs, sustainable development and ensuring social cohesion, involves the development of various institutions of personalized relationships with customers aiming for their loyalty. It shapes such relationship marketing which has the main purpose to develop long term relationships with the clients in order to retain them and therefore attract new ones.*

**Keywords:** relationship marketing, bank, clients, satisfaction, dimension.

**JEL Classification:** L 80, M14, M31

### 1. Introduction

The main objective of this paper is to highlight that, especially in the banking system, marketing exceeds its own limits, by passing from the traditional marketing focused on transactions to a new type of marketing focused on satisfying at the best level the clients needs. This new type of marketing has been called RELATIONSHIP MARKETING. The interest in this way is given by the fact that, the customer has become the core of the entire organizational structure of the bank.

Relationship marketing implies establishing a personalized relationship with customers in order to achieve their loyalty. Relationship marketing is based on the importance of customer trust. Thus relationship marketing process is a result of evolutionary strategies adopted by enterprises to benefit from competitive advantages. Relationship banking marketing is based on three pillars: the development of further links with customers, keeping existing customers and attracting new customers.

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## **2. The implications of relationship marketing on the banking system**

Relationship marketing relies upon the communication and acquisition of consumer requirements solely from existing customers in a mutually beneficial exchange usually involving permission for contact by the customer through an "opt-in" system. (Gale & Chapman, 1994).

With particular relevance to customer satisfaction the relative price and quality of banking services sold through a particular bank alongside customer service generally determine the amount of sales relative to that of the competition. Although groups targeted through relationship marketing may be large, accuracy of communication and overall relevancy to the customer remains higher than that of direct marketing, but has less potential for generating new leads than direct marketing.

Relationship banking marketing has undergone a progressive process; around the 80's it was based on quality, then in the 90's an important element was represented by the costs; and then starting the year 2000 onwards, attention is directed towards customer needs in order to understand and develop personal relationships with him. ([http://my.liuc.it/ MatSup](http://my.liuc.it/MatSup)).

Being a relative new concept, the literature is not comprehensive yet, due to the lack of research in the field.

### **2.1. The role of relationship banking marketing on customer satisfaction**

Banking markets involve productivity, risk and consumer satisfaction. The risk factor is the main activity that the bank is focused on. They are oriented towards the continuous decrease of this factor, that is why banks differ substantially in managing risk. Also, in the banking sector, there is some inefficiency in meeting existing market order, but the main purpose of any bank is that of insuring the best response to the customer's demand, therefore achieving customer satisfaction which leads to the increase of bank profit.

As a client, I have seldom felt that we are not respected at the fair value of payers of a product or service. We often feel that once we've closed a transaction we no longer need to keep contact with the bank, the reason being that we felt like we were hitting a wall of indifference.

Given these issues, customers have reached the top of the pyramid of bank objectives. These are oriented towards the understanding of customer psychology in order to keep the old customers and attract new ones. In a hypercompetitive economy clients are subject to a multitude of offers, that is why a certain bank must promote high values. Value is not only in the product, but ensuring customer service; nonetheless there is a great difference between the aimed value and that perceived by the client. If performance does not meet expectation, the customer will be

unsatisfied. If performance is consistent with expectations, the customer is satisfied. If performance exceeds expectations, the customer is extremely satisfied or delighted.

A high degree of satisfaction creates an emotional affinity with the brand, not just a rational preference. The result will be a high degree of customer loyalty. (Kotler, 2002). The bank should create a long term relationship with the clients in order to keep them. This way the customers undergo a bonding process with the specific bank.

### 3. Relationship marketing versus transactional marketing

Relationship marketing and transactional marketing are not mutually exclusive and there is no need for a conflict between them. A relationship oriented marketer still has choices at the level of practice, according to the situation variables.

Most banks blend the two approaches to match their portfolio of products and services. Virtually all products have a service component to them and this service component has been getting larger in recent decades. (Vandermerwe & Rada, 1988).

Relationship marketing is „the process of identification, stabilization, growth and, if it's the case, of finalization of the relationship with the customers and other groups interested in a profit, so that the objectives of all parts should be fulfilled“ (Grönross, 2005).

<b>EXTENSIVE MARKETING</b>	<b>INTENSIVE MARKETING</b>
<ul style="list-style-type: none"> <li>- Increase customer number</li> <li>- Increase sales</li> <li>- Profit growth</li> <li>- Increased exchange trader</li> <li>- Attract new clients</li> <li>- Transaction efficiency</li> <li>- Launching new products</li> <li>- Market share growth</li> <li>- Opening new branches</li> </ul>	<ul style="list-style-type: none"> <li>- Increasing frequency of customers' visits</li> <li>- Increasing the volume of sales per customer</li> <li>- Developing personal relationships with clients</li> <li>- Keeping old customers</li> <li>- Improved relationship to the client</li> <li>- Customer retention</li> </ul>
<b>TRANSACTIONAL MARKETING</b>	<b>RELATIONSHIP MARKETING</b>

Tab. 1. Relationship marketing versus transactional marketing

In our opinion, relationship marketing implies two major dimensions: an informational one and a management based one. (Pop&Pelau, 2006)

#### **4. Relationship banking marketing in Piraeus Bank**

As far as PIRAEUS BANK is concerned, it is today one of the most dynamic and active financial organizations in Greece. Founded in 1916, Piraeus Bank went through a period that was owned and driven by the State (1975-1991) before being privatized in December 1991 ([www.piraeusbank.ro](http://www.piraeusbank.ro)). Since then, it increased continuously in size and activities. In Romania Piraeus Bank has over 100 branches and agencies.

The main strategic objectives of the Piraeus Bank Group are: increasing market share in Greece and the Balkans, improve quality and customer satisfaction, creating innovative products, strengthening the market position of the retail banking and financing small and medium enterprises, strengthening the Group in property management banking and insurance, and, in the end, the strengthening of profitability to a steady increase in the value of shareholders.

Due to the large number of branches of Piraeus Bank, a branch is responsible for fewer clients, so bank employees can learn more about each client. Thus the relationship between the customer and the bank employee can turn into a long-term transaction.

Informational dimension implies all the information that a company owns. For Piraeus Bank this means the possibility of broadening the information sphere held in order to individualize customers. Here, besides the formal information such as name, date and place of birth, place of work etc., there is also informal data gathered from discussions and personal relations between the customer and the bank employees.

Following direct discussions with the customer, bank employees can find potential needs, thus appearing on the banking market new products that best answer possible customer demands. Therefore the passive activity that the bank employees develop, that of offering the client his space and time, is placed in an active relationship with him.

Management dimension refers to all decisions taken within the bank concerning both the institution and the client. Piraeus Bank management system is very well structured. Management dimension includes all decisions that aim at informing the customer, organizational decisions within the bank but also when dealing with clients, pre-contract and post-contract decisions.

Using the relationship marketing approach, you customize programs for individual consumer groups and the stage of the process they are going through as opposed to some forms of database marketing where everybody would get virtually the same promotions, with perhaps a change in offer (<http://www.jimnovo.com>).

## 5. Conclusions

Marketing has had a phenomenal evolution, by passing from trade to relation. This implies a careful and constant monitoring of clients' preferences expressed by customers' buyer behavior and the buying evolution in time, to properly understand how customers perceive and individualize any inconveniences before interrupting any relation with the bank.

Decisions are always assessed in order to see the degree of satisfaction or dissatisfaction the customer had. In case clients complain, the bank tries to solve the issue as efficient as possible as its strategy is to keep their existing customers.

In Piraeus Bank, transactional marketing is based on a linear process and market survey therefore it personalizes customer needs, market segmentation surveys and market positioning of the existing supply, while relationship marketing is based on a circular process, meaning to the customers' individualization, building their awareness of the bank value for gaining customers' loyalty.

Transactional marketing in Piraeus Bank involves several indicators such as bank volume of sales, bank market share, the strong investment in the development of existing products and launching other new products, while relationship marketing is based on other indicators such as customer-centered value, the ability to convince customer to buy more banking products together with an intensive communication with the customer.

There are also some weaknesses of transactional marketing of Piraeus Bank such as spreading imitation products, seeking very limited competitive advantages, the desire to achieve more in a short time period, while relationship marketing wins customer's loyalty based on a long term relationship. ([www.12manage.com](http://www.12manage.com)).

Relationship marketing has managed to realize that customers tend to buy more products from the same banking institution based on customer loyalty and trust. Therefore to achieve these objectives relational marketing of Piraeus Bank is willing to maintain a price premium on most products and manages to reduce costs by keeping old customers in order to attract new ones therefore being cost efficient.

Benefits of using relationship marketing at Piraeus Bank: both customers and the bank employees become more satisfied with the quality of service, maintain old clients' loyalty because of the strong personal relation with bank, old clients become true promoters of the bank because they have experienced in an excellent way their services and on the long term they became part of Piraeus Bank family.

Not claiming that we have completed the subject, in the future we will research in detail marketing banking relationship, and especially its implications on customers' loyalty.

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