Anna TARABASZ[45]

MY BANK IS MY CASTLE - THE COMPETITIVENESS OF THE POLISH BANKING SECTOR IN VIEW OF THE RESEARCH

Introduction

There is no place like home. Home sweet home. My home is my castle. There are many proverbs that operate on the concept of "home" – a safe place every bread eater wants to be after his "nine to five job". But as –the saying goes "you pays your money and you takes your choice" and the obvious "time is money" - queuing in a wrong bank is pointless and senseless. That is why according to the rule "a good partner is essential" everyone should choose a bank tailored to his needs. Based on that criterion, one could say "my bank is my castle".

Banking profit is a safe bet

The world financial crisis has given the Polish banking sector a wide berth. It has not happened circumstantially, but should be rather considered as a result of implemented strategies and the outcome of many preventive actions taken by specialists. This hard work was very abundant in positive financial results (see Tab.1). Out of 10 financial institutions analyzed, only BPH bank closed last year with a 135 million PLN net loss, which could be attributed to the fusion with GE Money Bank and the action of restructuring and the creation of reserves for loan portfolios. Other institutions have shown a positive growth tendency[46]. According to their representatives, this trend is unremitting.

This is a testimony that Polish institutions from the financial sector, anticipating the possible effects of the economic crisis, have taken appropriate corrective and preventive actions, mostly largely in line with the previously proposed guidelines[47] and anti-crisis communication decalogue[48].

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[45] Lodz University, Poland

[46] Compare Tarabasz A., "La crise économique et le temps de prospérité du secteur bancaire en Pologne" [in:] Martin C., Sterbova L., "La crise mondiale et les perspectives de reprise dans l'Union Européenne" Université d'Economie de Prague, Prague 2010, p. s.355-363

[47] Compare usual activities and the ones proposed for the times of crisis (Tab. 2) in Tarabasz A., "L' influence d' une crise économique sur la communication avec la clientéle du secteur bancaire en Pologne" [red.:] C. Martin, J. Kita, "Les défis du

But the most important alteration, without which there would be no question of any effective modification for the companies from the banking sector, was a change of policy in the handling of the customer and the assessment of its value, especially in the long term. Some of these problems, particularly in terms of communication, which has a significant impact on the overall assessment of the bank, came up in personal studies within the banking sector's communication with customers in Poland.

Tab. 1

Net profits overview for chosen banks in 2009 and 2010

	Net profit 2010 [PLN millions]	Net profit 2009 [PLN millions]	Increase 2010/2009
BPH	-135	52,8	-365%
Bank Millennium	326	2	21633%
BRE Bank	641	129	397%
BZ WBK	1 357	1 161	17%
Citi Handlowy	755	406	86%
ING Bank Śląski	753	593	27%
Kredyt Bank	186	35	438%
Lukas Bank	52	bd.	bd.
Pekao SA	2 530	2 421	5%
PKO BP	3 217	2 306	40%
TOAL	**9 864**	**6 917**	**43%**

Source: personal elaboration on the basis of data presented on banks' websites and in press statements and releases

Survey conducted

Based on reports of "The 50 biggest banks in Poland" annual supplement to the Bank magazine (2005-2010), a juxtaposition of the companies has been made, in order to designate the 10 biggest institutions as research targets. A comparative ranking of the bank's income and their online customer surveys was made in: PKO Bank Polski, Bank Pekao S.A., ING Bank Śląski, Bank Zachodni WBK, BRE Bank, Bank Handlowy w Warszawie, Bank BPH, Bank Millenium, Kredyt Bank and Lukas Bank. As the BRE Bank's offer is dedicated to corporate customers, retail branches of the group (mBank and MultiBank) were taken into account. A sample was created on the basis of 11 different financial institutions.

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développement durable: politiques industrielles et commerciales dans l' Union Européenne", Vydavateľstvo EKONÓM v Bratislave, Bratislava 2009, p.617- 627

[48] Krasoń M., „Gotowość na kryzys sprawdza się w walce", Forbes 2007, vol 3, p. 40-41

In October 2010 a pilot research online query was launched among 85 individuals[49]. The main study started at the end of November 2010 and finished at the end of May 2011. Research was conducted in every provincial capital[50]. Each time based on the survey 11 branches of banks were randomly selected in order to conduct an interview with 10 purposely chosen banks customers. Originally the case study was planned to include 1,760 customers. So far the sample studies have reached 1,667[51] units, where in the małopolskie province the initial selection method was not carried out –a study in the form of auditorium examination was used and the opinion of 164 people was verified. Due to time limitations of the test, the cost of the project and the inability to reach data on the actual distribution of sociodemographic characteristics in chosen banks, as well as the non-random selection of respondents, the presented results cannot be generalized to the entire population. Nonetheless they are a firm basis to indicate trends and tendencies.

How should banks take care of their customers?

Until recently, many companies with leading or significant share in the Polish market did not take proper care of their customers. Very rarely theoretical solutions in this field were actually implemented in real life. Although it is common knowledge that gaining new customers is four times more expensive than retaining the existing ones, most companies used to focus on the former rather than on building loyalty bonds and long-term relationships, according to the CRM idea. The positive aftermath of the economic crisis seems to be the newfound perception of existing customers, of pampering them and taking care of their interests.

Unfortunately the conviction that banks care more about their own interests than the good of the client is still commonplace in Poland. Institutions of the banking sector are rather negatively perceived, as "exploiters" and, in extreme cases, "thieves". It is widely advised to read carefully the provisions of contracts or regulations, particularly where the content is written in mouseprint. Unfortunately, the transparency of

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[49] Survey was conducted on Internet foras among heavy-users of the banking: www.forum-bankowe.pl/, www.forum.gazeta.pl/forum/f,383,Banki.html, www.bankier.pl/forum/forum_banki,9,1.html, www.money.pl/forum/grupa,33,0,0,40,0,banki.html

[50] At the moment a nationwide sample is completed – results obtained in zachodniopomorskie voivodship are still incoming. It means, that results presented in this paper have not been taken into account. It must be noted, that the following statistics do not include this data. Even though, in order to simplify description within this article, it has been decided to conclude results onto Poland as a whole.

[51] Excluding zachodniopomorskie voivodship. The sample has also not been completed in mazowieckie and opolskie.

regulations and clarity statements are full of imperfections. Komisja Nadzoru Finansowego[52] is meant to be the consumers safeguard in these and other issues. And although in the long run, the balance of its actions is definitely positive, many citizens[53] still do not support some of its initiatives. For example S[54],[55] and T[56] recommendations, as guidelines for banks *de facto,* restricted the criteria of credit granting. They require that a loan instalment does not exceed 42% of household income and the ability of credit for loans in foreign currencies has always been calculated on the debt capacity in PLN for 25 years. All this to illustrate the threat of foreign exchange risk to customers and keep them from falling into the credit trap[57]. On the other hand the S recommendation which allowed the repayment of the mortgage rate in the currency loan was taken, unlike the abolished requirement of paying the equivalent in PLN. This action sought to prevent unethical practices by the banks to earn on spread – the difference arising between the buying and selling price of foreign currency. Other actions, such as increasing the amount of guaranteed deposits up to 50 thousand EUR [58], obviously met with a warm welcome. However, the general assessment of the banking sector is one thing and opinions concerning a specific bank - another.

The research showed that contrary to the generally negative attitude to financial institutions, marks granted to the examined banks were quite high (compare Fig. 1). The Fig. presents e-users preferences of banking products. Each respondent assessed his bank with a mark on a scale from 1 (min) to 5 (max) and then justified the grounds for his choice. Users of internet banking products (1325 of 1667 people surveyed) awarded all rated banks in the total average value of 4,07[59], which should be seen as a considerable success. The only surprising thing is the fact that in the presented ranking within the first three (mBank, ING Bank Śląski and PKO) third place goes to the bank to which customers are reluctant to have their accounts on-line. In juxtaposition

[52] Compare www.knf.gov.pl/index.html

[53] borrowers, in particular

[54] www.finanse.egospodarka.pl/61476,Nowa-rekomendacja-S,1,48,1.html

[55] www.knf.gov.pl/aktualnosci/rekomendacja_s_bis.html

[56] Compare Myths of the T recommendation www.knf.gov.pl/Images/mity_Rekomendacja_T_tcm75-18592.pdf

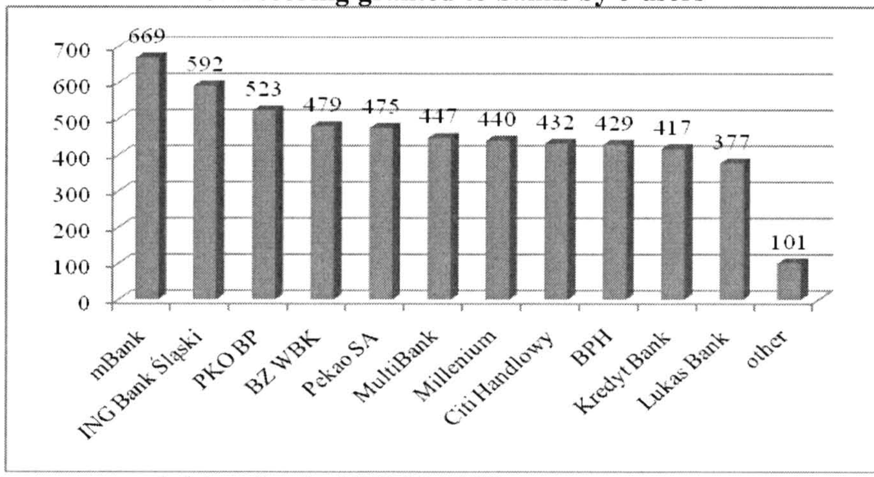
[57] To repay one credit, they take another one, so starts the cycle of the of "credit spiral".

[58] See more at www.biznes.gazetaprawna.pl/artykuly/97018,nbp_zmiany_w_ustawie_o_bfg_zmniejszaja_bezpieczenstwo_finansowe.htm

59 From which two people have refused granting their institution a mark and 6 gave their bank mark „1", 25 -„2", 233 people ranked as "3", 671 as "4" and 388 individuals gave "5".

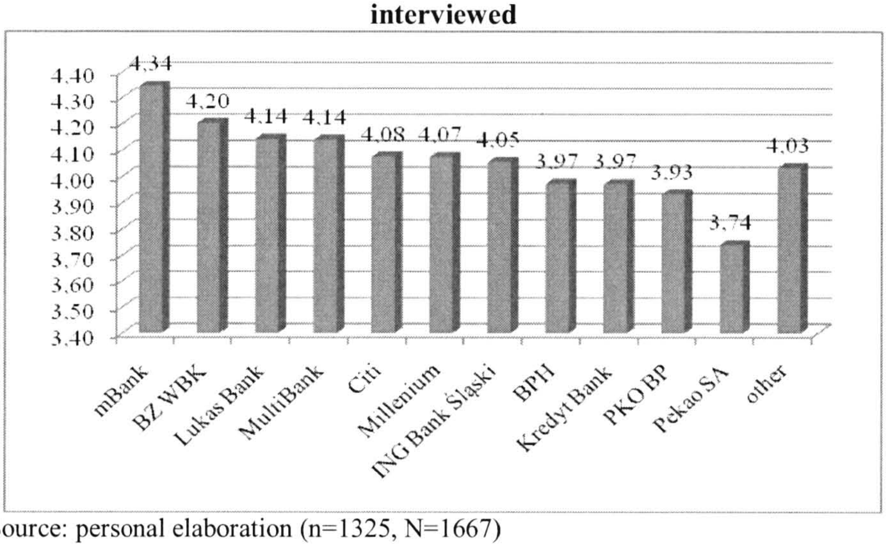
to the average rating of customers of their relevant bank, this ranking changes entirely (see Fig. 2).

Fig. 1
Total scoring granted to banks by e-users



Source: personal elaboration (n=1325, N=1667)

Fig. 2
Weighted arithmetic note in relation to the number of clients interviewed



Source: personal elaboration (n=1325, N=1667)

mBank was granted significantly above average for the entire study which corresponds with it's leading role in the totals. The first four banks demonstrably outperform other banks in the ranking. The non-favourable rating of ING Bank comes as a surprise, especially since it has recently done much towards educating customers and encouraging them to self-service via the Internet. Very low marks given to PKO BP and Pekao SA (though they are at the forefront of the banking sector in Poland) imply that these institutions still have a long way to go. Ratings granted them confirm the well-known rule, that the old client should be pampered, according to the proverb that the difference between satisfied and very satisfied (and loyal) customer is diametrical and can significantly influence the "be or not to be" of a company[60].

Fig. 3
Distinguishing factors of the bank

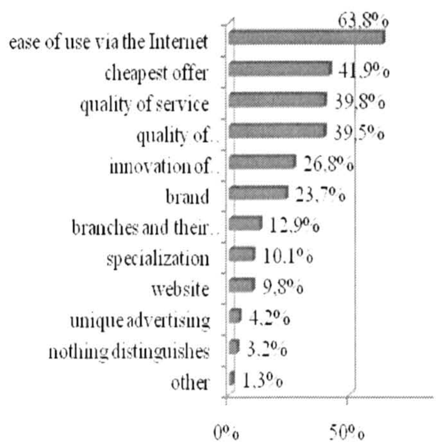
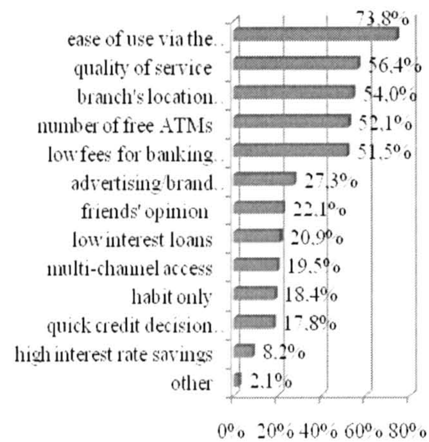


Fig. 4
Factors building loyalty to the bank



Source: own elaboration (n=1325, N=1667)

What is it then that drives a customer to evaluate one bank's offer higher than another? What is the real loyalty-building factor? The answer lies in the following figures (compare Fig. 3 and 4). It turns out that for the interviewed a differentiating factor (which also constitutes a key factor in building brand loyalty) is the ease of use via the Internet (respectively 63,8% and 73,8% indications). The importance assigned to this factor is obvious, as analyzed survey results concern on-line customers of the banking sector. The possibility of managing the account online as a differentiating factor in a bank's offer was indicated by the customers of mBank (127 people), ING Bank Śląski (103) and surprisingly the not-so-internet-orientated PKO BP (86 indications). It should be noted, however, that it was a multiple-choice questionnaire (3 answers possible). As stated previously independent e-

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[60] *It is a theory of a „leaking bucket" proclaiming that* "the gulf between satisfied and delighted customer can swallow a business" *– compare Jones T.O, Sasser E.,* "Why satisfied customers defect", *Harvard Business Review, December 1995, www.hbr.org/1995/11/why-satisfied-customers-defect/ar/1*

service is the most tie-building factor. This answer was marked by customers of the same institutions, and the indexes were correspondingly higher (mBank once again 127, ING 116 and PKO 99 indications). For the interviewed customers the bank's website is the most valuable source of information – almost 77% of indications (mBank – 123 people, ING - 113 and Pekao SA – 102 individuals) (compare Fig. 5). What's even more important (compare Fig. 6) the Internet is the most transparent medium, which facilitates the comparison of offers.

Fig. 5
Source of information about offer

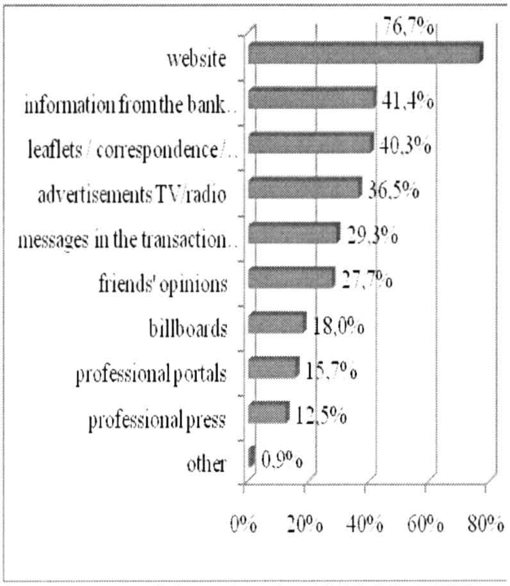
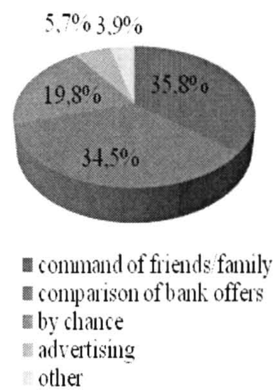


Fig. 6
Way of becoming a customer



Source: own elaboration (n=1325, N=1667)

Surprisingly, it is not the low cost of products, that in the respondent's opinion, builds the long-term bond with the bank (41,9%, chosen by customers of mBanku – 92 people, ING 69 individuals and Pekao SA – 52 markings). It turns out that although the statistical Pole appreciates what is given "for free" or "at low cost", in the long term they put more attention on the quality of service (56,4% - chosen mainly by customers of ING – 80 indications, PKO BP 79 individuals and mBank-77 people) and the convenience of location (54%: PKO BP – 97 people, Pekao SA 93 interviewed, ING 95 indications). The last of the three most important characteristics in terms of building fidelity to the bank was the convenience of the location of the branch. This option was marked by over half of the interviewed customers (54%), almost on a par with the number of free ATMs (52%). This means, that for bank customers the service convenience in terms of location convenience and the number of free ATMs are more important than the low price of managing banking products (51,5%) that according to customers' opinion define their banks.

The survey also shows another regularity. The Poles like to trust in the opinions of others. It has been proven, that information from a bank advisor is the second most important source of information about bank offers (41,4% indications) and more than every fourth interviewed (27,7%) receives such data from friends, acquaintances and family. Moreover, the strength of the recommendation by the customer's kin is very powerful, as 35,8% declared, their choice was guided by an opinion from friends or family. Therefore taking care of existing customers becomes more important as he basically becomes a brand ambassador. It is due to his opinion and so-called positive WOM[61] that the company gains not only new customers, but also in this way, the newcomers are positively brand-orientated from square one. But above all – this happens without any additional costs spent on the acquisition of new, potential users of its products and services. In that case the idea "pamper the new, retain existing customers" should be changed into the maxim "gain new customers by pampering the old ones".

Apart from a new customer acquired via recommendation, a valuable one is a customer which co-creates the business brand with the institution.. How is that done? Very easily – by sharing his opinion on banks forums, proposing improvements and new solutions[62], that later will be implemented with mutual satisfaction. From the client's point of view, due to the conviction that "his opinion counts", and for the institution - owing to an immense source of knowledge, that apart from its brilliance, is absolutely free.

Conclusion

The economic crisis forced banks to change their policies towards their clients. It has turned out that users of banking products have strengthened their bargaining power in the Porter's 5 force model. Therefore, financial institutions are forced to pay more attention to the opinions of their customers. They must focus on communication and by effective communication – on attaching the customer to the brand. Business competition is not everything. Competitive war in the sector is not the primary objective. The real target is the user, mainly the existing one that will be helpful in gaining new ones. My bank is my castle – so will the

[61] Positive Word of Mouth- oral testimony, opinion, given by current users. It is strong enough to become a basis for whole whisper marketing

[62] Asnit is in „bank of ideas" created by BZ WBK–see more at www.bankpomyslow.bzwbk.pl/, where ustomers intiate certainsolutions, that are after commented on public forum, in order to be implemented after previous financial and technical analysis

customer say, who feels a partnership bond with his financial institution. And even though the proverb "home sweet home" will not become "bank sweet bank", in terms of a sense of security and stability it might just as well do so.

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ABSTRACT

The economic crisis, which has affected financial institutions worldwide, contributed to changes within this sector in Poland. Despite the fact that Polish banks have ended the last two years with above-average financial results, the mere threat of possible problems drove them to introduce certain modifications. This article attempts to describe changes in the approach to the customer in the Polish banking sector. From the literature's point of view it shows an increase in the bargaining power of consumers. Based also on personal research conducted among 1700 clients of the 11 largest banks in Poland, it is also an attempt to answer the questions: what helps these institutions in a competitive market acquire new customers? What makes them able to retain them? And last but not least - what is the role of marketing communications in this processes?