

## **A Case Study of Customer Satisfaction among U.S. Regional Banks (Southwest Mississippi)**

**Albert Sampana**

Department of Financial Services  
Alcorn State University  
United States of America

### **Abstract**

---

*In today's globally competitive environment, relationship marketing has been identified as a critical factor to the success of a service enterprise such as the banking sector. Though the banking sector has traditionally been a customer focused services industry, regional banks have only recently started to build their capacity for offering new services as some of the large banks currently do. However, regional banks, unlike their large counterparts, have limited resources especially in the financials. Hence, the allocation for recourses into customer service programs is very critical.*

---

### **Introduction**

There had been tremendous changes recently that had propelled banks in US into seek new ways of satisfying their customers. Since customers have diversified needs, the impetus lies with the banks to adopt new skills in order to meet their customers in this technologically changing world, by knowing who their customers are, what they expect and thereby going beyond their expectations so as to provide those needs.

Customers are the main source of fuel upon which banks revolve. Therefore, the very existence of banks is to satisfy their customers and without which they cease to exist. When the customer is taken for granted it will go a long way to hinder the progress of the bank. This is the very reason for which financial institutions are recently focusing more attention on customer satisfaction, loyalty and retention (Zairi, 2000). There are several ways that customer satisfaction can be categorized. Each is needed in combination to meet different customers' need at any point in time. The key factors that affect customers' satisfaction include, confidentiality of the bank, fast and efficient service delivery, speed of transaction, friendliness of bank personnel, accuracy of billing and timeliness, free bill payment, competitive pricing, and service quality (Hokanson, 1995)

### **Data**

Questionnaires were designed from literature review and in-depth interviews were utilized to arrive at variables which determined the satisfaction of customers of regional banks in Southwest Mississippi. This research emphasized using descriptive analysis, including pie chart, bar chart and histogram for data presentation with recommendations. The research limitations is that, this research only targeted selected regional banks in and around Southwest Mississippi and also the duration given for this presentation were limited. Finally, there were not enough funds to do extensive research. This paper addressed most of the challenges facing banking today and the various mechanisms that could be used to enforce effective customer service delivery in banks in Southwest Mississippi.

### **Literature Review**

There had recently been analysis of data from CFI Group's 2014 Bank Satisfaction Barometer (BSB) that revealed three critical drivers of bank customer satisfaction. The first is that the emphasis customers place on the role of banks branch has changed, indicating that branch locations have less impact than in the past on overall satisfaction. Nevertheless, branches still influence customer acquisition. Furthermore, a strong communication and information exchange by banks to customers is a distinct competitive differentiator. Finally, customer adoption of online and mobile technologies is driving banks to continue innovation.

Online and mobile influence on satisfaction has increased by 27 percent, since 2013. This has eclipsed branch staff in their relative leverage on satisfaction. Customers of all ages have made Web-based banking a way of life. It is important to note that 86 percent of those between ages 18-49 conduct at least half of their banking remotely, likewise 76 percent of those of ages 50 and above.

There had been an increasing number of respondents; this means using the bank's mobile apps. Usage reached 36 percent this year, up a point from 2013. The most often used remote banking service in 2014 was to check account balances. More than half of all respondents (52 percent) said they check account balances remotely. Thirty percent said they checked their balances at least once each week using this method (Petras, 2014).

Satisfaction is a term widely used in business and commerce industry. It is usually used to measure the kind of produce and services provided by a company to meet its customers' expectations. In the banking sector, it is even much more challenging because of high level of performance indicators (International Journal of Innovation, 2010). There are two general conceptualizations of satisfaction namely transaction-specific and cumulative satisfaction (Yi and La, 2004). Transaction-specific is the customers' very own evaluation of his/her experience and reaction towards a particular service encountered (Gronii and Taylor, 1992 Boshoff and Gary, 2004). Cumulative satisfaction refers to the customer overall evaluation of the consumption of experience to date (Johnson Anderson and Fornell, 1995). Customers are the reason for the existence of banks and hence, deserve the right to be heard and appreciated. This is why financial industries especially banks, these days, are concentrating much on customer satisfaction.

Satisfaction is the overall customer attitude or behavior towards and the difference between what customers expect and what they receive, regarding fulfillment of some desire, need or goal (Hansemark, & Albinsson, 2004; Kotler, 2000; Hoyer, & MacInnis, 2001). Loyalty however, is the ability of an organization to create a benefit for customers so that they would maintain and increasingly repeat business with the organization (Anderson, & Jacobson, 2000). Sam Walton once stated that "there is only one boss; the customer. And he can hire and fire everybody in the company from the chairman on down, simply by spending his money elsewhere." Customer satisfaction is a way of doing business that is born out of genuine concern for customer, and it involves every person in the bank.

### **Customer Retention Strategy**

Customer satisfaction and retention are the most important part of every business. Therefore, the goal of every marketing strategy should be to attract, satisfy and retain target customers. The longer customers stay with a bank, the higher the likelihood of referrals they give to the bank. It costs an organization more to introduce and attract new customers than to retain existing customers.

It is suggested that, the costs of customer retention activities are less than the costs of acquiring new customers. For example, the financial implications of attracting new customers may be five times costly as compared to keeping existing customers (Rust and Zahorik, 1993). There is high initial cost involved in introducing and attracting new customers as compared to retaining existing customers. Therefore, the longer a customer stays with a bank the better it is for the bank. However, there is no doubt some customers may still leave despite the high level of customer satisfaction but that will only be on a linear scale. Customer satisfaction is often viewed as the most important indicator of customer retention. However, it is not always an assurance for determining customer retention. This is because customer retention is also dependent on a number of other factors such as choices, conveniences, prices, and income (Reichheld, 1996). During the interview, 85% of customers said they would continue to do business with their bank despite the fact that some expressed some form of dissatisfaction and rather counted the cost of transferring to other banks.

The bank customers who had experienced customer satisfaction tend to refer friends and family members to do business with the bank, which comes at free cost as a result of their experience. Banks should therefore enforce referral programs since it is the best strategy with little or no cost and the most profitable. A high level of customer retention leads to referrals which bring about an improvement in profitability and reduces cost incurred in advertisement. Out of the total respondents interviewed, only 20% said they referred people to the bank. This is rather on the low side. Banks need to do more to encourage customers for referrals.

### **Methodology**

This study designed questionnaires and employed observation from review of literature. In-depth interviews were been utilized to arrive at variables to determine the satisfaction of customers of regional banks in Southwest Mississippi region.

There are most instances that people are caught unawares about sudden changes; this applies to businesses as well and in many cases businesses result into greater loses unemployment, and bankruptcy. These are factors that companies may like to avoid ahead of time.

Questionnaires were designed for both bank staff and their customers for the purpose for this research. The basis for this research was to look at the present nature of customer satisfaction from both bank staff and customers' perspective. Another basis was to make projections into the future. Last but not least is to make recommendations as to how things will look like in the next few years from now.

## **Results**

The inability of a bank to satisfy customers results into dissatisfaction that drives them away, giving them the opportunity to switch to other banks, thereby hampering the growth and success of the bank. In this regard, the element of customer satisfaction in the banking industry is the nature of relationships that is developed between the customer and the service provider who in this case is the bank. A dissatisfied customer has a high tendency of switching to other banks. Measuring the customer expectation is one of the difficult things to do, but there are basis upon which measurement can be done to bring about the best service to the customer. Exceeding the expectation of the customer is the greatest asset. This is because, a dissatisfied customer is said to 'vote with his feet', meaning going about discouraging other people from doing business with your institution.

Switching banks is the attitude developed by most customers as a result of unpleasant experiences. A dissatisfied customer will often tell more people about their bad experience rather than a satisfied customer. It therefore behold on the banks to look for any indicators and address anything that seems to trigger customer dissatisfaction. During the interview with the bank customers, 35% respondents expressed their dissatisfaction about the sort of treatment they encounter from the bank personnel.

To facilitate effective customer response, banks must structure customer friendly systems that allow dissatisfied customers to address their concerns. From my observation, I noticed that once a dissatisfied customer left the premises of the bank without their concern resolved, it cost the bank a lot more trying to win back their trust. Most customers during the interview said, they had never been asked to take any customer survey regarding their level of satisfaction, while others said they did not know the available medium currently at their banks for addressing customer concerns. Others said, they had not experienced any grievance over the years and for that had never bothered to question the instruments for measuring customer satisfaction.

The most detrimental aspect of dissatisfaction is that customers practice non-referrals as a result of their bad experience with the bank. There were few concerns by customers during the interview period who although happened to be with the bank expressly said there was no way they were going to refer any friend or family member to the bank in question because of their dissatisfaction.

Customer service is so vital that it must not be overlooked. In some organizations, there are special departments created purposely to ensure that customers concerns are addressed. It is often said that a satisfied customer brings about free advertisement, freely publicity to the company which bring about lots of referrals. Majority of customers are won mostly as a result of referrals from families and friends.

Satisfaction is an overall customer attitude or behavior towards a service provider, or an emotional reaction towards the difference between what customers expect and what they receive, regarding the fulfillment of some desire, need or goal (Hansemark, & Albinsson, 2004; Kotler, 2000; Hoyer, & MacInnis, 2001). Loyalty however, is the result of an organization to create a benefit for customers so that they would maintain and increasingly repeat business with the organization (Anderson, & Jacobson, 2000). Different banks have different product and services when it comes to customer experiences and therefore customers need to find out the sort of services that they fine most needed and select the necessary product or services to meet this needs.

## **Conclusion**

There had been tremendous changes recently that had compelled banks in US to seek new ways to satisfy the needs of their customers. Since customers have diversified needs, there is therefore the need to adopt new ways of doing things in this technologically changing world and knowing what the customer expects and going beyond their expectations. This research shows that customer satisfaction is very important. This is because it ensures customer loyalty, retention to the large extent and also serves as a catalyst against business failure in the long run. McIlroy and Barnett, 2000) stated that an important concept to develop when creating customer loyalty program is customer satisfaction.

In recent highly competitive and dynamic environment it behooves financial institutions to have satisfied customer and retain them to survive and compete with other market players successfully.

The reason is that the future is going to be very competitive and very challenging for small banks in southwest Mississippi which may result in thousands of layoffs, less physical buildings and more technology

As a result of the changing level of technology the future will be subjugated with, fewer branches, ATM increase, Mobile Growth, Teleconferencing and more Apps are going to become the order of the day. This is the time that banks need to research on the market so as to follow the pace of the changes that are about to take place. The future is going to be very competitive and very challenging for small banks and also those financial institutions which are not keeping pace with the changing technology.

## References

- Anderson, H., & Jacobsen P. N. (2000) *Creating Loyalty: Its Strategic Importance in Your Customer Strategy*. In S. A. Brown Customer Relationship Management (pp. 55-67).
- Anthanasopoulos, A., Gounaris, S., & Sathakopoulos, V. (2001). *Behavioral responses to customer satisfaction: an empirical study*. European. J. Mark., 35(5/6), 687-707.
- Anton, J. (1996). *Customer Relationship Management: Making Hard Decisions with Soft Numbers*. Upper Saddle River: Prentice-Hall.
- Bontis, Nick, Booker, Lorne, D., & Serenko, A. (2007) *the mediating effect of organizational reputation on customer loyalty and service recommendation in the banking industry*. Manage. Decision., 45(9),1425-1445.
- Bleomer, J., & Ruyter, K. D. (1998) *On the relationship between store image, store satisfaction and store loyalty*. Eur. J. Mark., 32(5/6), 499-513.
- Bowen, J. T., & Chen, S. L. (2001) *The Relationship between Customer Loyalty and Customer Satisfaction*. *International Journal of Contemporary Hospitality Management*, 213-217.
- Customer Satisfaction council (1995), *Customer satisfaction assessment guide*, Motorola University press
- Hayes B. E. (1992), *measuring customer satisfaction: Development and use of questionnaire*, ASQC Quality Press Milwaukee.
- Harkiranpal Singh (2006) *the Importance of Customer Satisfaction in Relation to Customer Loyalty and Retention*, UCTI Working Paper
- Hokanson, Steven (1995) *the deeper you analyze, the more you satisfy customers*, Trade publication article
- Mohamed Zairi (2000) *Managing Customer service: a best practice perspectives* Vol. 12
- McIlroy and Barnett, (2000) *Impact of Customer Satisfaction on Customer Loyalty and Intentions to Switch*
- McIlroy, A., & Barnett, S. (2000). *Building Customer Relationships: Do Discount Cards Work?.*, Managing Service Quality.
- Roland T. Rust, Anthony J. Zahorik, & Timothy L. Keiningham (1993): *Return on Quality Making Service Quality Financially Accountable*.