



# World Scientific News

An International Scientific Journal

WSN 134(2) (2019) 148-160

EISSN 2392-2192

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## Customer Experience in the Banking Services Market

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### ABSTRACT

Customer experience (CX) is extremely important for the banking sector. CX is the sum of all customer experiences, from entering the bank branch to contacting the helpline or online banking. It is how the consumer receives the banks and what emotions associated with contact with the bank have an impact on the overall satisfaction with using the bank's services. Customer satisfaction and the quality of services provided by banks is the basis for building competitive advantage by banks. The purpose of this review article is to present CX development and quality at banks. Tools such as NPS or Mystery Shopper will also be shown to help assess customer satisfaction in banks.

**Keywords:** Customer experience, banking services market, customer

### 1. INTRODUCTION

Banks are entities of public trust. This is connected with the huge responsibility of banks. It also results from the specificity of products on the financial services market. Customers entrust banks with their life savings, incur credit obligations for many years. It is trust that should underlie the customer-bank relationship. However, consumers are not always fully aware of the concluded contracts, which is associated with the so-called information asymmetry. The bank acts as a professional entity, and the client trusts advisors that the

proposals that the bank will promote will be best for him. Therefore, banks should care for the good of customers, because it is by their quality that they can convince customers to choose this bank. In the era of such high competitiveness on the financial services market and the creation of a new Financial Technology sector, banks should provide consumers with the highest standard of service. It is the sum of all experiences related to contact with a given institution that makes customers satisfied or on the contrary.

## **2. THE CONCEPT OF CUSTOMER EXPERIENCE AND ITS SIGNIFICANCE FOR THE DEVELOPMENT OF THE COMPANY**

Market diversity, but also modern technologies, innovative services, the speed of information flow, as well as communication through social media enable wide access to services and quick and free expression. The need to improve service quality and high competitiveness have created the need to ensure a satisfying customer experience. And it is the customer that plays the most important role in any business, as he or she is a key part of building a competitive business (Joseph M., McClure, Joseph, B., 1999)

The origins of quality development can be traced back to the 1950s, when W.E. Deming launched the concept of TOTAL Quality Management (TQM), the point of which was to increase management efficiency, improve quality and productivity, but also to meet customer needs (Osayawe Ehigie, McAndrew, 2005). "TQM may be defined as a continuous quest for excellence by creating the right skills and attitudes in people to make prevention of defects possible and satisfy customers/users totally at all times. TQM is an organization-wide activity that has to reach every individual within an organization." (Lakhe, Mohanty, 1994)

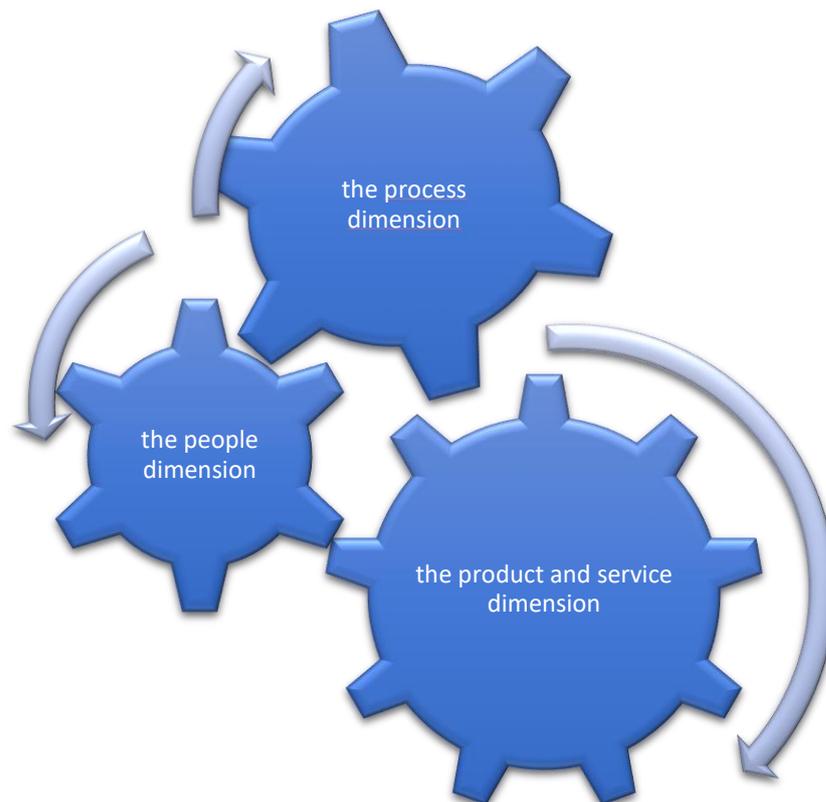
There were 14 principles of management transformation; thanks to those principles managers stopped focusing exclusively on the results and quick pace of work, but also started taking customer satisfaction into account:

- 1) Determination of a fixed goal for improving product quality and service; the goal is to gain competitive advantage.
- 2) Introduction of new management philosophy. The rule referred to the lack of acceptance of delays, mistakes, damage to materials, erroneous work.
- 3) The abandonment of mass-control methods as an instrument to guarantee a certain level of quality.
- 4) Departure from the selection of suppliers taking into account only the proposed price terms. In exchange, there was constant cooperation with one customer leading to the minimization of total costs.
- 5) Constant and continuous improvement of the process, production and services that will allow for improved quality, productivity and reduced management costs.
- 6) Introduction of modern methods of training and education - professional development of employees in their field of work.
- 7) Leadership, rather than bureaucracy, should have the leading role in management
- 8) Reduction of stress and fear of the need to achieve continuous productivity growth.

- 9) Elimination of barriers between individual departments and employees.
- 10) Elimination of all types of promotion that encourage "zero defects" and high productivity at every level of productivity.
- 11) Eradication of management through goals and the elimination of substitutes for authentic leadership.
- 12) Elimination of barriers that prevent workers and managers from feeling pride in their work.
- 13) Introduction of education, training and incentives for self-improvement.
- 14) Involvement of all employees in the transformation process (Lunenburg, 2010).

Price and Gaskill have identified three dimensions of TQM. They are:

- 1) "the product and service dimension: the degree to which the customer is satisfied with the product or service supplied;
- 2) the people dimension: the degree to which the customer is satisfied with the relationship with the people in the supplying organizations;
- 3) the process dimension: the degree to which the supplier is satisfied with the internal work processes, which are used to develop the products and services supplied to the customers". (Price, Gaskill, 2002)



**Figure 1.** Dimensions of TQM

Then, in the 1980s, the focus shifted on developing a tool - SERVQUAL, whose main purpose was to measure customer service expectations and the quality of customer satisfaction. The assessment was supposed to indicate the client's desires and perceived quality of service. The measurement was taken using a survey based on five criteria related to the service delivery process:

- a) Tangibles - external appearance and presence of the facility, its equipment and access to information materials;
- b) Reliability - providing services in a comprehensive, reliable and accurate way;
- c) Responsiveness - providing a fast and efficient service, showing interest in the customer;
- d) Competence - professionalism of service delivery through the preparation, knowledge and competence necessary to deliver a service or solve a problem;
- e) Courtesy - respect for the buyer, courtesy and customer treatment courtesy.



**Figure 2.** Criteria related to the service delivery process

These criteria were meant to be the answer to the quality of service and customer satisfaction. It was the customer that expressed their opinion and observation as their experience. This method is constantly evolving, and in the 1990s it was extended to examine the relationship between quality and customer behavior - for example, the willingness to recommend a service to others or loyalty to a given company or brand.

It is also important to refer to the concept of customer value, which was pointed out by P. Drucker in 1954; He indicated that value for the customer should not be perceived simply - through the price. In fact, quality assurance, safety, comfort and the fulfillment of their individuals needs are also significant factors for customers (Ducker, 2007).

Value as such is not a clear concept. One can therefore refer to several ways in which it might be understood: for Butz and Goodstein (1996), customer value can be seen as the an emotional bond. On the other hand, according to P. Kotler (1991), this is the overall difference between the individual product customer value and the cost incurred due to the purchase. For the customer, the value consists in the sum of the benefits he or she expects from the product. For R. B. Woodruff (1997) this is an individual customer's assessment of the product's characteristics, its functioning, its subsequent use, and its benefits to the customer. The change in approach also applies to co-creating value with customers in the long run. This allows customers to derive greater satisfaction from the product and the company to understand the customer's needs. (Phil, 2011)

Currently, the value of a product is understood as the exchange in relationships between the buyer and the entrepreneur. The key to success is a marketing strategy that creates value for customers, which in their own judgment is considered satisfactory. Business networks and supply chain networks are also of great importance. This will allow the customer to associate with the company for longer because the secondary value for the customer is just satisfaction. Based on customer satisfaction, the customer becomes attached to and loyal to the company, as a result of which get becomes profitable. (Loice, 2015)

There is also a division presented by L. Berry, E. Wall, L. Carbone, related to customer values and service clues, which include: functional (based on service quality), mechanical (sensory, aesthetic) as well as those related to Interaction with company employees. For a company that wants to grow and take care of customers' needs it is necessary to combine the above factors because the customer experience should be related to emotions and product quality (Berry, Wall, Carbone, 2006).

It should be mentioned that value must exist for both the enterprise and the customer, although it will not always be the same for both parties. For a business, the customer as such constitutes value, because he or she generates profits and allows the company to exist and grow. Listening to the customer makes it easier to communicate with him or her and understand his or her needs, such as the price, purchase conditions, product quality, delivery speed, and after-sales service (Christian, 1984)

Companies notice that customer experience is the basis for a success; it is not enough anymore to simply compete for products or services. The way in which the company provides these services also matters. Regardless of the type of service they pursue, customers expect a high level of satisfaction, and it is often the basis for choosing a product.

The concept developed in 1999 when Schmitt formulated the issue of customer experience and its importance for the company. It should be noted, however, that the practice of customer experience in Poland has only started to develop (Schmitt, 1999).

Despite the fact that there is no single definition of customer experience, it is based on the customer's perception (both conscious and subconscious) of a company, brand or bank. It is therefore the customer's interaction in the relationship between the consumer and the supplier - the company (Lemon & Verhoef, 2016). These sentiments should be understood broadly, because they concern both the price of the product offered, its quality, but also the quality of service, trust and individual evaluation.

In addition to customer service the wide range of customer experience includes a number of other features such as ease of use, advertising, product packaging and service, reliability, convenience and innovation.

### **3. COMPANY ACTIONS TO IMPROVE THE QUALITY OF CUSTOMER EXPERIENCE**

Companies are split, some of them do not keep statistics, do not do thorough research in customer development and experience, and the rest of businesses pays great attention to it. Customer Satisfaction alone is not the key to success, and customer satisfaction surveys (the most common form of verification) are not the answer to the question of how to get a satisfactory level of customer experience. It is becoming increasingly important to monitor three data sets: past patterns, current patterns and potential patterns. Of course, you can make a subdivision where you pay attention, for example, to the frequency with which they are measured.

In the past, a wide variety of features was considered to be the secret of good customer experience, but it does not seem to apply in such cases as in the competition between Microsoft and Apple. Despite offering fewer features than Windows, Apple's macOS successfully competes with the operating system developed by Microsoft. The well-known Apple logo, intuitive software and the highest quality design of the product is intended to create a positive customer experience.

Famous brands and companies such as KPMG, Amazon and Google create and use specialized posts and employ dedicated customer service staff to create and manage their own customer experience (Lemon & Verhoef, 2016).

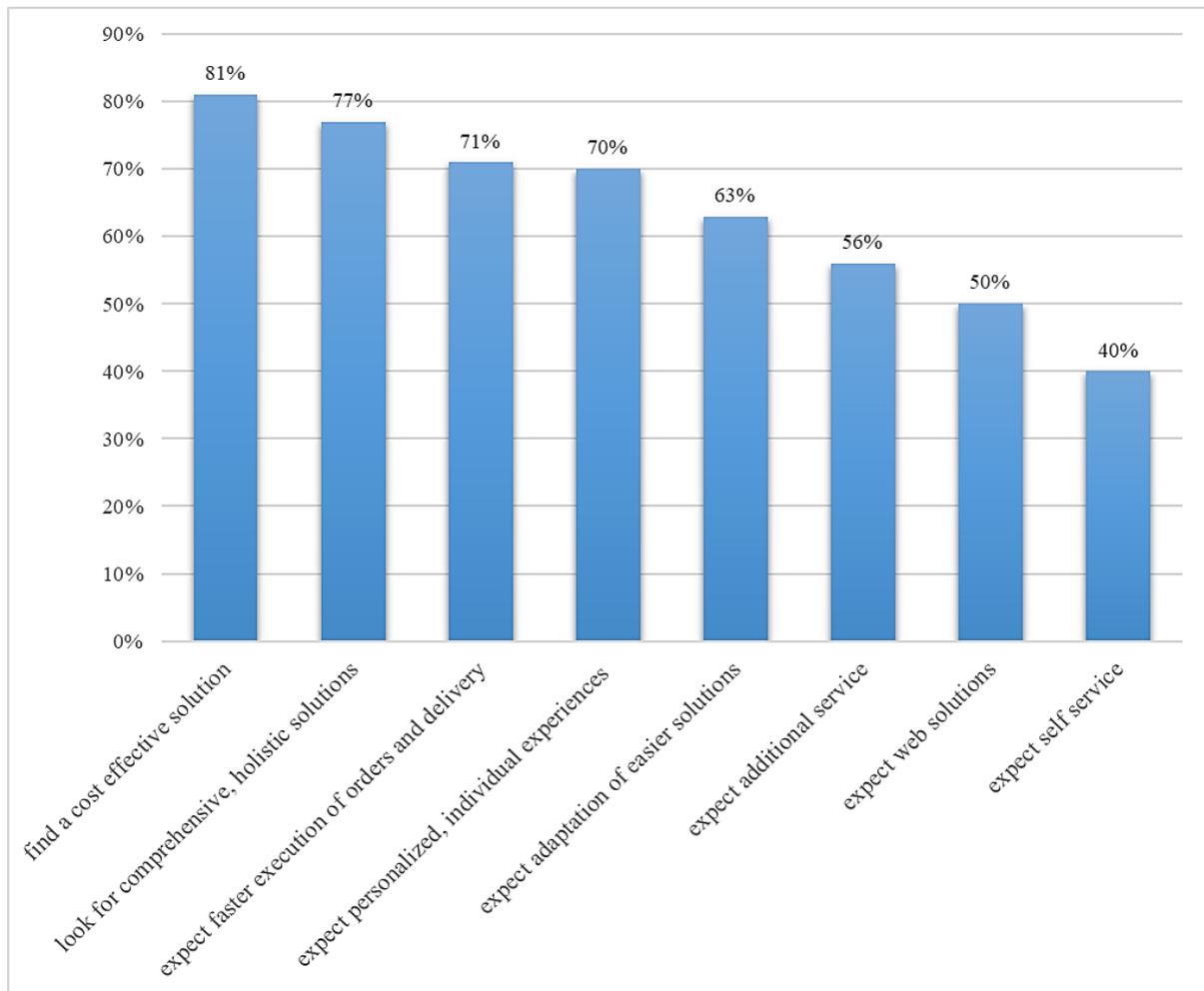
Customer experience takes on new meaning: the customer has easier access to each company, so he or she can work with most businesses, is more knowledgeable about them, can share his or her opinion in social media, giving customers easier access to multiple channels and information. It is definitely easier for the customer to make a specific choice. Companies themselves must take care of the speed and quality of all communication channels with customers. This has certainly changed management as Customer Experience Management (CEM), taking the next step in the overall strategy of taking care of the customer experience. (Grønholdt, Martensen, Jørgensen, Jensen, 2015)

Through holistic management, we understand a number of integrated information technology (IT) operations, operational services, logistics, marketing, human resources, external partners, creating and delivering positive customer experience.

In studies conducted for CEM Benchmark Study (2009), potential customer needs were selected. Based on the results, it was found that customers focus primarily on solving their complete problem, even those in difficult financial circumstances focused primarily on value rather than price alone, even if the price concerned them. The following results need to be emphasized:

- ✓ 81% - the highest number of respondents believe that it is most important for the customer to find a cost effective solution
- ✓ 77% - look for comprehensive, holistic solutions
- ✓ 71% - expect faster execution of orders and delivery
- ✓ 70% - expect personalized, individual experiences
- ✓ 63% - expect adaptation of easier solutions
- ✓ 56% - expect additional service
- ✓ 50% - expect web solutions
- ✓ 40% - expect self service

The message suggesting the desired change is clear, and it defines the shortcomings in the desired experience and values (Starr and other, 2011).



**Figure 3.** Customer needs (Starr and other, 2009)

#### **4. POSITIVE EXPERIENCE IN THE BANKING SERVICES SECTOR**

The flourishing and popularization of modern technology is also very important. Growing customer expectations and broad communication has become the most convenient form of expression. The research carried out by J. Garczarczyk significantly influenced the quality of banking services. According to the research, customers focused mainly on a group of five factors influencing the assessment, including the image of the facility, distribution, customer advisors, service quality, bank offer, price and communication with the client. It should be noted that more than half of the ten factors concern the role of staff and customer service (Garczarczyk, 2002). The current client profile of the banking services indicates that he or she is more demanding, demands more information, and is less attached to a specific outlet. Quite often the customer is acquainted with the exact information about the products before visiting

the facility. What is more, the modern, ever more aware customer compares various offers to the competition. The client is no longer attached to one bank. In one of Deloitte's reports (Changing the Structure of Retail Banking for the Customer Experience of Tomorrow), as many as 90% of customers value trust and service, if a customer gets ill-treated they may never return to their business. Recommendations are also significant as a source which helps to choose such services as a counselor. Another conclusion of the survey is the skepticism of clients to financial services: only 44% trust institutions providing financial services (Alabed, 2017).

Financial education from an early age is also important. Responsible consumers make informed decisions that take into account their financial capabilities, including in particular the current and future effects of their consumption. Access to knowledge and extensive consumer protection laws give consumers greater confidence.

Retail banking has new problems to face, but reasonably good prospects are still up-to-date. The banking sector in the world will grow, as confirmed by Analysts Wise Guy Reports suggesting that it will increase by 6.08% by 2020 (Alabed, 2017).

Changes in banking relate primarily to the general trend of innovation, simplification of procedures, acceleration and easy management of funds without having to visit the bank and wait for service. The role of the bank in everyday contacts is also diminishing, because in the past withdrawals or payments took place only at the bank's cash desk. Currently, the customer visits the site less often because it uses other channels and other possibilities. Most of the tools are transferred to electronic banking, where the customer makes his transactions quickly and conveniently. This convenience also affects banks' customer perception and experience. However, one should not forget that there is a group, especially older people, who do not use online banking on a daily basis and prefer to contact a bank employee. Digital exclusion is a threat to such customers. The bank should include diversity and the ability to make transactions in multiple channels in its strategy. Banks should take into account the needs of customers.

Referring to the situation in Poland, it is necessary to indicate the effectiveness of customer experience management. Polish banks also implemented the process of segmentation of customer bases, effective development of modern technologies such as application preparation - mobile banking and software. (Alabed, 2017)

The key to improving quality and customer service is to share your opinion with your employees. It is this observation that will be the basis for raising customer experience. Mutual exchange of views will allow employees to see more. And it's the simplest solution that lets you focus on the customer and exchange ideas with colleagues. (Feather, 2013)

Despite the constantly decreasing number of banks, every bank customer meeting with a branch adviser is an opportunity to better understand the client and the sales. There are examples of banks that have returned to their offices after their liquidation.

It is pointed out that striving for "perfection" in customer service is not only an economic aspect but a turning point in banking. There is a risk for companies that do not adapt to the demands and growing expectations that without a transformation the bank will not be as successful as the ones that carry out intensive activities for clients.

## **5. QUALITY IMPROVEMENT IN BANKS**

By making a choice - the customer must be convinced that the evaluation of the product will meet his expectations and the product will be of high quality. Entrepreneur, while wanting

to maintain its market position, must persuade consumers despite high competitiveness. In addition, he must persuade his product and its quality if he fulfills these expectations the customer will feel satisfaction and trust in the company, in many cases it will be the beginning of cooperation, the possibility of recommending the company to other consumer. (Wang, Lo, Hui, 2003)

Basically also in banks, any bank employee action should help to improve quality and create a sense of responsibility while advising the client. This system makes every employee, even the lowest level, represents the institution and takes responsibility for contributing to the quality policy. Hence, the broad pursuit of quality policy and actions involving all employees. As mentioned earlier, banks in particular seek to take care of experience and satisfaction, especially in the context of increased competition from the financial services market, increased customer awareness, higher expectations, confirming their competence with numerous certificates and prizes. It is also important to have active marketing that affects the overall reception of the institution (Llorens Montes, Fuentes-Fuentes, Molina, 2003).

“The reform of the banking sector was one of the crucial components of the reform of the Polish economy. In January 1989 the Sejm (The Polish Parliament) passed two Acts related to banking - the Banking Act and the Act on the National Bank of Poland. The basic importance of those Acts was to be seen in:

- the total reconstruction of the banking system (the Act allowed for the operation of state
- banks, joint stock banks and cooperative banks),
- cancellation of governments legislative powers
- setting up of ordering relationships between the banking system and the State Treasury,
- by an abolition of the mechanism of automatic lending for governmental purposes,
- the extension of the catalogue of banking activities and services.” (NBP, 2002, s. 1-2<sup>1</sup>)

The extension of banking services has increased competition in the financial services market. It is no wonder that banks focused on quality to encourage customers. The bank is constantly building a competitive advantage and following modern trends and customer expectations. Banks are trying to maintain the pace of change and constantly adapt to competition.

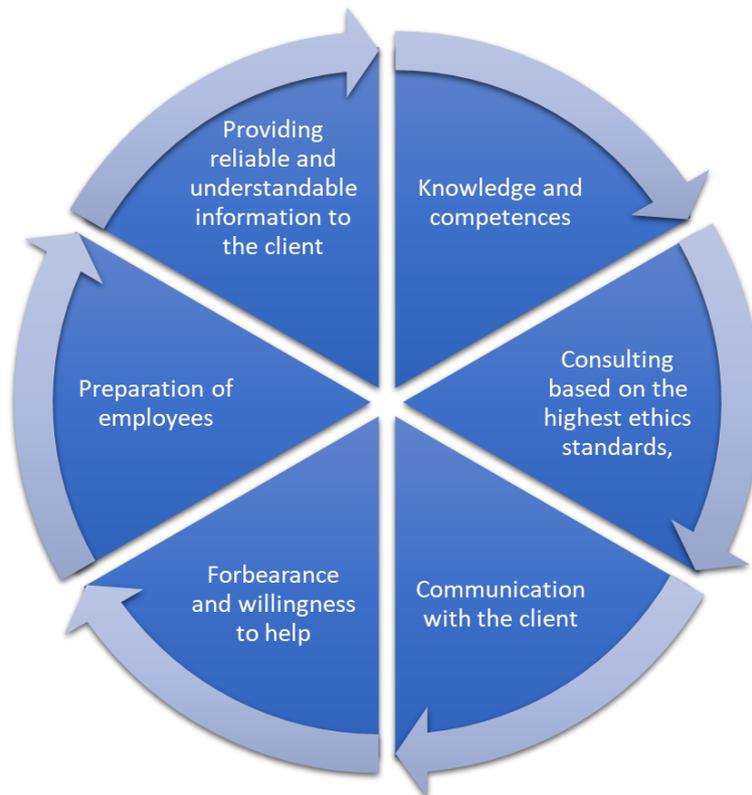
Employees in their daily work in bank should be based on several principles:

- 1) Knowledge and competences - current knowledge of the bank's offer, financial services market,
- 2) consulting based on the highest ethics standards,
- 3) communication with the client - proper analysis of needs, which will avoid mismatching the product with the client's expectations
- 4) forbearance and willingness to help - advisers should explain the operation of banking applications, especially first logging in, advisers should also pay attention to cyber security.

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<sup>1</sup> Narodowy Bank Polski (2001), *THE POLISH BANKING SYSTEM IN THE NINETIES*, Updated, December 2001.

- 5) preparation of employees - reliability of employees, care for customer relations.
- 6) providing reliable and understandable information to the client.



**Figure 4.** Rules of work in banks

The quality of service must accompany a bank employee even in difficult situations and in relations with unsatisfied customers. Problems related to complicated banking procedures, IT system failures, extended waiting times, causing customer dissatisfaction. Despite these adversities, employees should be patient and understanding. Employees should be focused on solving problems and maintaining the highest quality.

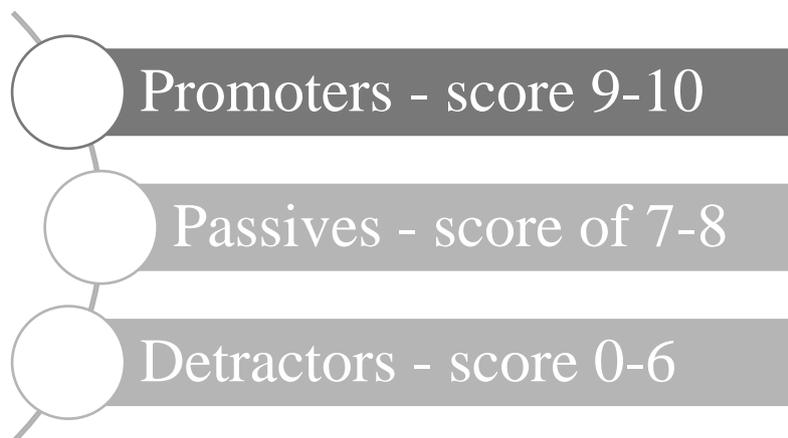
Taking into account the tools used to assess the quality of services offered, most banks seek answers to customer experience and satisfaction. To this end, it uses a variety of instruments: like retention rate, Customer Satisfaction (NPS); customer retention (how many customers have products), mysterious customer research, direct evaluation of service quality. They also take part in many competitions. In Poland, for example, they are: "Friendly Bank", "Golden Bank" (Złoty Bankier).

Starting with one of the most popular tools used in banking - NPS (Net Promoter Score) created by F. Reichheld (Reidenbach, 2010). NPS illustrates the level of customer satisfaction with the service provided. Bank customers after contact with an employee get the standard question: How likely are you to recommend your business to your friend? Point scale 0-10 (0 I will not recommend; 10 I will certainly recommend) allows you to determine to what extent the customer is happy with the service and recommend using them. Depending on the number of

points awarded by the client, we distinguish three groups: Promoters, Passives and Detractors, where:

- ✓ Promoters - they are the group that has rated the highest score 9-10, are satisfied with the use of the service, are also loyal and willing to recommend services to others.
- ✓ Passives - a group that shows a score of 7-8 - is satisfied with the service, but as indicated useful for competing offers. It is not a very attached group.
- ✓ Detractors - This is a group of people who do not recommend our product, anyone's score (score 0-6), are not satisfied with the services they provide, will not recommend the company to others, or they may negatively speak about the company in words, use of services through negative word-of-mouth.

By calculating the NPS result of the company, you should ignore the percentages of clients, Promoters, and subtract from that percentage of Detractors.



**Figure 5. Net Promoter Score**

Another example is the mystery shopper study - it should be treated more as a research technique than the form of promotional activity. The collection of information is related to the training of auditors who later engage in the role of clients to verify the commitment and quality of the employees. The employee is not aware that the auditor is not a customer, and that the whole atmosphere involved in the service is in the standard way as is the case with standard service offerings (Wilson, 1998). The standard Mystery Shopper survey questionnaire aims to check the quality of employees' work. The survey contains a range of information about how the conversation was conducted, and even in what order the employee asked questions and examined the needs. The study checks the preparation, reliability and quality of work of bank employees.

## **6. CONCLUSIONS**

Banks are trying to meet customer expectations. Banks constantly examine customer satisfaction. The most popular survey is NPS, in which the customer is asked if he would

recommend the bank to his friends. Customers rate the bank's recommendation from 1 to 10, where 1 is the lowest and 10 the highest. Based on this simple question, banks know if the customer is satisfied with their services and service quality.

Banks around the world are introducing many changes and innovations. The banks constantly draw conclusions and adapt to the new needs of customers, such as new technologies. They constantly pay attention to quality improvement and quality verification. They also examine the quality of services and customer satisfaction. This path allows banks to develop quickly and dynamically. It is also important for customers who expect high quality and competent advisers.

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