“The influence of banking advertising on bank customers: an examination of Greek bank customers' choices”

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The influence of banking advertising on bank customers: an examination of Greek bank customers' choices

Abstract

The selection of banking advertising methods and means depends on a bank's target group. The scope of this paper is to examine the relationship between bank advertising and the needs of a bank customer in Greece and its possible influence on potential customers to select their banks. The survey collected 260 questionnaires to provide the empirical dataset for technical inquiry based on descriptive statistics and correlation analysis. The research demonstrated the issue of customers indifference to advertising in their decision to cooperate with a bank. Advertising is not the determinant factor in their final choice. Selecting a banking institution is based on the traditional products and services it offers. However, its existence is a prerequisite, as it verifies a bank's critical presence in the market and plays an important role in customers' choices. The examination of a banking institution is made based on price and product-related criteria and not promotion.

Keywords: bank marketing, retail banking, banking advertisement, banks competition, banking products and services, bank selection.
JEL Classification: M31.

Introduction

Banking advertising includes advertising performed by banking institutions. Apart from advertising addressed to bank customers (transformational), this category may also include business reports, information brochures of announcements on payment of new shares, reports on investment program results and several other financial announcements (informational). The first type contains dominant psychological messages, while the latter involves factual or logically verifiable messages, in order to impart banks' products and services to current and potential customers (Punto & Wells, 1984; Rossiter & Percy, 1987).

Retail banking has been undergoing a revolution since the abolition of controls and apart from size there is little to differentiate banking institutions from one another (Richardson & Robinson, 1986). The adoption and implementation of the marketing concept by banking institutions have been slow but profitable in many countries while in many other ones they are still product-oriented. Nevertheless, the traditional product-oriented banks are becoming increasingly customer-oriented focusing more and more on customer loyalty.

The selection of banking advertising means depends on a bank's target group. Most banking institutions address their advertising to holders of small accounts and thus advertise their products and services through the mass media. The press and television are the preferred means for larger banks that have branches across the country. Advertisements on investment programs usually appear in the trade press, while investment programs appear in almost all wide circulation newspapers as they are addressed to small investors. Many banking institutions rent space in several exhibitions and print information brochures to describe their activities and services; this is something that also insurance companies do even though their brochures have the form of participation requests.

The scope of this paper is to examine the relationship of bank advertising with the needs of a bank customer in Greece and its possible influence on potential customers to select their banks. More specifically, it is researched the impact of communication messages provided by banks on various banking offers and packages (products & services) through their advertising strategies.

1. Past literature

Cheese et al. (1988) first indicated the importance of effective bank communications strategies. Despite the popularity of advertising in the academic field and the relating huge number of studies published on advertisement-related matters, no any previous study on the specific topic of financial advertising was found in the literature. This is not surprising as the same finding was stated by Laskey et al. (1992) in the past, where they emphasized the missing literature and the paucity of published research dealing with the effectiveness of bank advertising. Since then, many studies were published, especially for the Greek bank market (Koutouvalas et al., 2005; Mylonakis, 2004; Mylonakis et al., 1998), which covered spontaneously bank advertising issues, mainly as relatively small portion of overall bank customer researches, examining consumer satisfaction rates and more specifically whether or not bank customers were influenced by advertising to select their main or secondary bank. The only pioneering research paper found was that of Laskey et al. (1992) which dealt with strategy and structure in bank advertising. They examined the effectiveness of advertising on bank customers and found that

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respondents' overall attitude and aesthetic/emotional evaluations varied significantly and that picture-based advertising elicits a higher intention to patronize a bank. They also emphasized the distinction between information and transformational advertising, the first found to be the most effective.

2. Research methodology

2.1. Bank customer profile. The research sample consists of 260 bank customers of all spectrums of banks in the Hellenic Bank market. 59.1% of the sample consists of men and 40.9% of women, with an average age of 34 years. The monthly family income of the sample can be classified in the following 4 categories: bank consumers with net income up to €20,000 represent 24% of the sample, those with net income between €20,001-30,001 represent 61%, those with net income between €30,001-40,000 represent 10%, and only 5% of the sample declares €40,001-50,000. As to marital status 75% were married and 25% divorced or non-married, and as to education 40% held a University degree, 34% had obtained a high school diploma and 16% held a post-graduate degree. All participants reside in various prefectures of Attica (Major Athens area). Bank customers who only cooperate with one banking institution represent 33.2%, while a slightly higher percentage of 36.9% represents those customers who cooperate with two banking institutions and, 29.9% declared that they cooperate with more than two banking institutions.

2.2. Methodology. For the purposes of this study questionnaires have been provided to collect information. At first, a pilot questionnaire was delivered to test whether it meets research needs. The distribution period of this questionnaire lasted a week and the results led to changes in its initial form, by ruling out some of the questions that were considered as irrelevant to the purpose of the study. The first page of the questionnaire was also added at this stage, along with the definition of bank advertising and modifications were made in certain questions for which the reliability analysis produced a Cronbach's alpha coefficient below 0.6.

Reliability analysis was calculated for the scale in total, as well as, for each factor. Baker (1999) and Malhotra (1999) state that in the cource of the development of a measurement scale researchers emphasize the need for this scale to be reliable; that is the observations to be stable and coherent. The calculation of a scale's reliability is based upon Cronbach alpha, which is the most widely used measurement method for this purpose (Peterson, 1994). Malhotra (1999) and Spector (1992) report that Cronbach's Alpha indicator has to be at least 0.70 for a scale to be considered as a reliable one.

The Cronbach's Alpha statistic shown describes the consistency of each research factor. Consistency refers to the degree with which questions provide qualitative data for each factor. Values close to 1 indicate reliability of a factor, while usually only Cronbach's Alpha values of 0.6 or above are acceptable for research use.

Table 1. Reliability analysis

Research factors	Cronbach's Alpha	No. of items
1. Receipt of information	.808*	8
2. Satisfaction from banking advertising	.798	2
3. Effectiveness of banking advertising	.748	4
4. Attitude towards banking advertising	.699	4
5. Satisfaction from banking institutions	.811	12

The sampling method used is random sampling. Twenty bank branches from all banking institutions were randomly selected and questionnaires were distributed to the customers of each bank separately. Each participant was given a brochure upon delivering their completed questionnaire; the brochure explained the purpose of the study and its expected results (debriefing).

The testing stage of the pilot questionnaire aimed at assessing its degree of comprehension, acceptance and interpretation. More specifically: the potential comprehension of the questionnaire, i.e. whether the terms used can be easily conceived and whether the way in which the questions are expressed allows for the collection of the desired data. The selected type of questions used is closed-ended questions, except for 2 ones that refer to the age and place of residence and are open questions.

The questionnaire consisted of 19 questions: the first five questions involved demographic data (gender, age, education, income, residence), three questions referred to closed questions, in which respondents were requested to choose between two statements (e.g., yes-no) and eleven questions were Likert-type ones. Data processing was carried out using the SPSS software, version 11.5.

The research topics of all questions were concentrated into the following 5 factors: 1. Offer updates, relate to the way participants are informed of available banking services. 2. Satisfaction from advertising and banks' advertising strategies. 3. Factors affecting satisfaction from a bank (accounts, interest loans, credits, bonuses). 4. Advertisement effectiveness in bank selection. 5. Customers' attitude towards advertisement, promotion techniques and packages offered.

The above group of research topics is hypothesized as follows:
H1. Providing information on banking offers through advertising strategies is associated with the selection of banking packages by customers.
H2. The money spent by banking institutions on advertisement is associated with the degree of customer information on banking products.
H3. The money spent by banking institutions on advertisement is associated with the degree of customer investment in promoted banking services.
H4. The number of banking institutions with which customers cooperate is associated with the degree of customer information on banking products.

3. Research findings

3.1. Descriptive statistics. Factor 1: Offers information and updates. Results showed that 47.3% of bank customers are informed through television spots and 52.7% through other means. Regarding information through brochures, 40.9% receive information through brochures, as opposed to the remaining 59.1. Information through telephone communication represents 35.5%. Obtaining information through friends or family represents 35.5%.

Results on obtaining information through press advertising showed that 25.5% of bank customers stated that they have received information on banking services through the press, while 74.5% responded that they have not.

Some of the questions that form the "Information" research factor are shown below (the number in the parentheses that follows each question refers to its coding):

Have you previously been informed of this particular interest rate through television spots, press advertising, information brochures or telephone communication?

Have you previously been informed of this e-banking service through television spots, press advertising, information brochures or telephone communication?

Have you previously been informed of these loans through television spots, press advertising, information brochures or telephone communication?

Have you previously been informed of this balance transfer program through television spots, press advertising, information brochures or telephone communication?

Have you previously been informed of bonus programs through television spots, press advertising, information brochures or telephone communication?

Have you previously been informed of friendly and direct customer service through television spots, press advertising, information brochures or telephone communication?

Do you follow banking advertisements?

Factor 2: Bank customer satisfaction from advertising. The second factor refers to customer satisfaction from banking advertising. Customer satisfaction from advertising relates to the following questions: *To what extent do you believe that advertisements meet what they claim to offer?* and *To what extent are you satisfied by banks' advertising strategies?*

The study showed that 87.3% of bank customers are not happy with banks' promotional activities. On the other hand, only 12.7% are very satisfied by banking advertising.

Factor 3: Factors affecting bank satisfaction. The questions that relate to customer satisfaction are:

It offers a higher bank account interest rate. 67.9% of the sample has responded positively about choosing a bank based on its interest rates, while 32.1 responded negatively.

It offers the possibility to carry out transactions through the Internet (e-banking). 51.9% of the respondents pay attention to the option of receiving services through e-banking, while 48.1% do not.

It offers lower-interest loans. Low interest rate of loans forms a criterion for 63% of the respondents. 7% are indifferent to this statement.

It offers a balance transfer program. 57% have responded positively to this service and 43% are indifferent.

It offers bonus programs to reward its customers. Customer rewards form a criterion for choosing a banking institution for 44.3% of the examined sample. 55.7% of the respondents feel indifferent about this statement.

It offers more friendly and direct services (9Fa). Friendly and direct customer service is an important factor in selecting a banking institution for 78% of the respondents. For another 22% it is not important.

Results on customer satisfaction from banks' offered products regardless of their means of promotion showed that 74.5% are very satisfied from banking products and 25.5% are not very satisfied.

Results, also, revealed that out of a total of 87 bank customers, who declared cooperation with one banking institution, 51 are very satisfied and 36 are not very satisfied. From those who declared cooperation with two banks, 82 out of 95 respondents stated that they are very satisfied and only 13 re-

sponded negatively. Finally, 67 out of 78 who cooperate with more than two banks responded that they are satisfied with their banks, while 11 expressed dissatisfaction.

Factor 4: Advertisement effectiveness. The following questions are related to the advertisement effectiveness on the selection of banking institutions: Has advertising helped you in selecting your bank? How many times have you been motivated by advertising in order to obtain more information on the services offered by a bank?, Would you ever choose a bank with low promotional coverage in the media (television, newspapers, magazines, radio) but with very good offered packages? Would you ever choose a new bank that has recently began operating in this sector, based only on its advertising campaign?

Results showed that 70.9% of bank customers believe that advertisement is very effective for a banking institution, while 29.1% thinks otherwise.

3.2. Correlation analysis. Bivariate correlation analysis was used to examine the following four hypotheses.

Hypothesis 1: Providing information on banking offers using marketing strategies is associated with the selection of banking packages by customers.

Data analysis led to the result that there is no correlation between the degree of obtaining information on banking services and the number of banking products purchased by customers ($r = 0.501$, $p = 0.089$). Due to this special finding, the relationship between customer information and selecting specific banking products will be examined separately. In this new analysis, banking institution products have been examined, such as interest rate, balance transfer and loans. Analysis showed that there is correlation between customer information on banking interest rates and the selection of related packages ($r = 0.498$, $n = 110$, $p < 0.0005$), that there is correlation between customer information on balance transfer and the selection of related packages ($r = 0.650$, $n = 110$, $p < 0.0005$), and that there is also correlation between information on banking loans and the purchase of loans ($r = 0.559$, $n = 110$, $p < 0.0005$).

The following table shows all correlations among the 6 variables examined.

Table 2. Bivariate correlations among separate variables related to information and selection of banking packages

	Higher interest rate	Lower-interest loans	Balance transfer	Information on interest rates	Information on loans	Information on balance transfer
Higher interest rate	1	.143	.002	.498(**)	.079	.077
Lower-interest loans		1	.650(**)	.373(**)	.559(**)	.506(**)
Balance transfer			1	.240(*)	.313(**)	.606(**)
Information on interest rates				1	.515(**)	.456(**)
Information on loans					1	.538(**)
Information on balance transfer						1

Note: * Correlation is important at a = 0.05 ** Correlation is important at a = 0.01.

Based on the above results, there is correlation between obtaining information on a specific banking product and selling it to consumers. Banking institutions, within the environment of competition in which they operate, provide consumers with informationon the variety and characteristics of their products in order to attract them. This load of information on all products is not of interest to consumers, who focus only on the products they want to obtain. They seek to get more details on the characteristics on certain products offered by banking institutions and, based on these products, they compare all banks and select the one that offers a competitive advantage against the other, i.e. the one whose products entail the characteristics that meet their needs better compared with the other.

Hypothesis 2: The money spent by banking institutions on advertising is associated with the degree of customer information on banking products.

Data analysis was performed using the variance method (ANOVA) and reached that there are statistically significant differences between the degree of customer information by three different banking institutions in which random sampling was applied ($F = 4.76$, $df = 2$, $p = 0.01$). A daring assumption following the above analysis results is that every banking institution follows its own advertising policy and applies its own strategies. Part of an advertising strategy is also the decision on the importance paid to information campaigns on people and, therefore, the frequency and the quality of the provision of information. Given the inability to obtain infor-

mation on operational costs spent by banks on advertising and on informing customers, an explanatory approach that can be put forth with reservation is that the degree of providing information by each bank also represents the amount of money available by each bank for marketing purposes.

Hypothesis 3: The money spent by banking institutions on advertisement is associated with the degree of customer investment in promoted banking services.

Continuing with the data analysis and the ANOVA variance method, the third hypothesis is confirmed: advertising costs relate to the degree of customer investments in promoted banking services. Advertisement, being a tool within a competitive environment, forces banks to invest more money in promotion in order to become competitive, i.e. to ensure a top place among customer choices and increase their profits at the same time. Bank expenses for advertising produce the desired result: clients actually invest in the promoted products and services. Advertising is the only sector that offers money and profits instead of spending it. The relationship between advertising and attracting customers is proportional. Therefore, those banking institutions that spend less on advertising will fall behind.

Therefore, considering the daring assumption of the second hypothesis, each one of the three banking institutions perceives the provision of information and marketing in different ways.

Hypothesis 4: The number of banking institutions with which customers cooperate is associated with the degree of customer information on banking products.

The fourth hypothesis relates to whether the number of banking institutions with which customers cooperate relates to the amount of customer information on banking products. The ANOVA variance method was also applied in this scenario and the results indicated that there is no correlation between the provision of information and the number of banks customers cooperate with ($F = 0.016$, $df = 2$, $p = 0.984$).

Informing customers on banking packages and offers is not associated with the number of banks they cooperate with. Cooperating with many banking institutions originates from competition in the banking sector and is not an indication of the level of customer information. Banks, in their effort to be competitive, launch tempting offers in some of their products; unlike their competitors, being unable to do the same thing for the same product, they focus on a different product or service, thus enabling customers to benefit from these opportunities. This fact does not prove that the consumers themselves obtain maximum information to select their bank. Banks make sure that their offers and products are made known to the public through promotion and advertising.

Conclusions

The scope of this paper is to examine the relationship between bank advertising and the needs of a bank customer in Greece and its possible influence on potential customers to select their banks. By considering all the results drawn by this study, one may conclude certain things about banking advertising and the role it plays within the competitive environment in which banks operate.

The most important conclusion is subversive for the concept and meaning of the term of advertising but not for everything associated with it. This study has demonstrated the issue of customers' indifference to advertising in their decision to cooperate with a bank. Advertising is not the determinant factor in their final choice. Selecting a banking institution is based on the traditional products and services it offers. The examination of a banking institution is made based on price and product-related criteria and not promotion. Still, the fact that consumers refuse to cooperate with banks that do not have any promotional activity confirms that the role of marketing is very important for banking competition.

Bank customers may not be interested in advertising at first while choosing their bank, but this is the initial reaction of all those who are interested in achieving the most cost-beneficial and favorable terms. In reality, the absence of advertising acts as a suspending factor in choosing a bank because, even though people are interested in getting good terms, they do wish that these terms come from a bank that has made its presence clear within this competitive environment, follows sector developments, competes with other banks and offers the same or improved products as its competitors. Such a banking institution inspires reliability and security, which are essential elements for consumer investments.

Therefore, the conclusion is that advertising is not the main criterion for consumers in choosing their bank. However, its existence is a prerequisite, as it verifies a bank's critical presence in the market and plays an important role in their choices.

Managerial implications. Banking institutions in today's world should develop multiple effective and supplementary activities to achieve benefits both for the state and for citizens. Banking institutions must spend money on technology and equipment in order to be able to promptly follow developments and secure their place among their competition. It is important that they adopt electronic banking systems, in order to lower their operating costs, remain competitive, maintain their old customers and continue to attract new devoted customers.

Moreover, due to the increasing competition brought about by the entry of non-banking institutions in electronic banking, it is important to strengthen their marketing campaigns. Finally, electronic banking services ought to be more personalized and adjust to the particular needs of their customers. Equal importance should be paid to developing e-commerce, which is expected to form the primary transaction channel in companies. Security systems relating to the operation of computerized and electronic systems, as well as safeguarding confidentiality and data processing will become a critical factor for the sustainability and growth of banking institutions.

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