

# CHARACTERISTICS AND TRENDS IN THE PRODUCTS AND BANKING SERVICES FOR CLIENTS

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## ABSTRACT

*This article investigates the recent changes in the Romanian banking industry related to the emergence of 'new economy' and consequences that it has caused. It analyses an impact of new information technologies in the context of knowledge-based economy facilitating the changes in service strategy of the banking institutions in order to seek the most efficient service model. Knowledge-based economy has an influence not only on the choice of the dominating solutions offered by financial service providers, but it also reflects the preferred choice of them by customer. Moreover, customer demands, priorities and lifestyle are influenced by changes in external environment arising from the transformation of economical structure.*

**KEYWORDS:** *banking services, commercial loan, quality management, customer loyalty, safety systems.*

If, until recently, almost all banks in Romania has orientated their attention to offer products and services preferably only to certain categories of corporate clients - usually large national and multinational companies with major business figures - leaving unmet or simply even ignored the needs, requirements and expectations of broad categories of potential clients (e.g. SMEs and, particularly, individuals), is currently witnessing a more dynamic approach, sometimes aggressive, and these categories of customers.

Only one tenth of banks operating in Romania have managed so far to implement and certify a quality management system. They have learned so that the principles, methods and tools of quality management can be applied successfully in our banks (in accordance with practices overseas banks) and that quality management can be a redoubtable middle of the increasingly tough to compete in the banking market.

Success is possible only if the demands, needs and expectations are not only fully known, including their dynamics, but also expected to obtain and maintain a maximum degree of satisfaction with the ultimate goal of customer loyalty. Assessing the results meet their customer satisfaction is essential.

So in mid 2006, the banking system in Romania consisted of: the National Bank of Romania, 30 Romanian commercial banks, 7 branches of foreign banks.

Thus: A. Banks with Romanian capital (9) include: *banks with majority public capital* (CEC, Eximbank); *banks with majority private capital* (Romanian Commercial Bank, Transilvania Bank, Romexterra, Commercial Bank Carpatica, Mindbank, Daewoo Bank Romania, Libra Bank).

B. Banks with foreign majority capital (21) include: Romanian Bank for Development, Raiffeisen Bank Romania, ABN AMRO Bank Romania, Banc Post, Alpha Bank Romania, Commercial Bank "Ion Tiriac, Citibank Romania, UniCredit Romania, Volksbank Romania, Piraeus Bank Romania, Romanian Bank, Finnansbank Romania, OTP

Bank, Sao Paolo IMI Bank Romania, Eurom Bank, Microfinance Bank PROCREDIT, Egnatia Bank Romania, Emporiki Bank Romania, Romanian International Bank, Raiffeisen Home Bank, Porsche Bank.

C. Branches of foreign banks (7) include: ING Bank NV, Amsterdam, Banca Italo-Romena SpA Italy, Treviso, National Bank of Greece SA, Anglo-Romanian Bank Ltd., Garanti Bank International NV, Blom Bank Egzpt, Banca di Roma SpA Italy.

Theoretically, for a customer to decide to buy a particular banking product/service from a particular bank, he should be drawn simultaneously:

- interest rates (as high - on current accounts or as little - to loans), tariffs, duties, fees, charges, etc. (as below);
- quality of service itself, including the quality of the customer receiving bank (as high);
- time to get the product / service (the smallest).

Basically, according to research carried out, individual clients in Romania - where and when they are properly informed and on time – they are attracted mainly by interest rates, tariffs, duties, fees, charges and also the proximity of the bank.

Also aspects of quality and duration to obtain product / service but to start banking more frequently and intensely aware and individual clients in Romania and representatives of legal entities.

The added value for the customer in a bank includes mainly the following essential components (each with one or more characteristics with specific indicators and appropriate target values for each of them acting certain structures within each bank):

- ✓ Diversity of banking products /services - as high;
- ✓ Accessibility of the bank - the largest possible ;
- ✓ Conditions of marketing banking products/services - as good;
- ✓ Cost of acquisition of banking products/services - as low;
- ✓ The interest rate - as high to deposits and as small to loans;
- ✓ The terms required for purchasing banking products/services to clients - as low;
- ✓ Safety of products and the bank - as high.

So many banking products and services offered on the Romanian market are perceived by customers as being more attractive, diverse and accessible. But according to research by the authors, certain categories of customers of banks in Romania - in particular SMEs and individuals – accused managers and employees of banks some mismatch (i.e. a certain LACK OF QUALITY) of products and services offered by banks to their requirements, needs and expectations.

One of the main complaints of the individual clients of Romania may be the current offer of banking products and services. It does not take into account all the needs, requirements and expectations. For example, even by way of communication with potential and actual customers (through publications, websites, electronic panels, employees) and data and information transmitted by this way are only partially accurate, accessible and useful. Another example: the current offer of credit and payment services overlap only partially with the demands, expectations and needs of clients.

Banks should be aware that flexibility, variety and originality of their tenders are some of the advantages that attract individual clients and it can make them loyal. How to collect reactions / motions and how to solve customer suggestions / complaints clients are generally beyond their requirements and expectations and is another grievance of individual clients.

In increasingly many cases, customers choose their bank because of an established relationship with first features its employees and managers. But, unfortunately, many

individual customers are not satisfied with the attitude, behavior, politeness, solicitude and/or courtesy staff at the counter and, especially, the long wait at the counter to resolve their requests.

Program working with the public, orientation system for customers within the bank and functionality of the counters are other objects of customer's complaints. They consider it absolutely normal for the bank to have an expanded work program with the public, an effective internal guidance system and a suitable comfort.

There is therefore the existence of serious fractures between <expected quality> by client - according to its needs/requirements - and <perceived quality> by client, following the purchase of a product/service bank.

The causes of this situation are many but most important is the poor interest shown by most banks to customers individuals (<retail banking>) and their concentration on certain corporate clients (<corporate banking>) - customers who bring the usually large and quick profits.

In achieving profits are envisaged 3 key points:

- banks are operating in conditions of uncertainty (constant presence of risk);
- In an attempt to maximize profits, the bank chose a certain structure of balance in relation to the types of assets and liabilities and their maturity;
- Before a bank to act for change assets and liabilities in order to increase profits, it must ensure that is able to maintain adequate liquidity and it must consider quantifying risk and risk symptoms.

Increasing the money supply is a basic concept of market economy and the banks are strongly involved. Banking is based on information now.

Currently there are complex patterns that optimize the bank-customer interaction. This interaction occurs mainly on credit, the operation of customer financing.

During this period of transition due to competition from other banks, increase the role of banks in the economy market, diversification of investments, development of capital markets and stock exchanges, banks participating in the formation of capital of certain companies to use alternatives to bank lending products (leasing, factoring), and the management of currency loans granted by international financial organizations or the private banks is necessary diversification of banking activities.

Such diversification of banking products and services is part of the decisions taken at the highest level of commercial bank management. The problem is difficult considering the recommendation of the World Bank as banks to grant broad autonomy to their territorial units. Although are called commercial banks, all Romanian banks are business and development banks.

Diversification required a profound restructuring of functional structures of all banks. They have become more transparent, efficient and are more closely focused on customer needs. Thus banks contribute to the achievement of social and monetary country (through diversification of payment instruments banks contribute to financial blockage). By participating in foreign exchange operations contribute to the establishment of banks daily exchange rate and slowing down loan application help contain inflation. Inflation is limited by the fact that banks grant loans differently depending on the level of creditworthiness of the customer.

Cooperation between banks facilitates the development of large investment programs. Banks may intervene more in financial intermediation and foreign exchange problems for banks as they scroll through most of the activity 2 of the 3 types of financial markets: money market and credit market. In other countries with developed market economy, according to the main banking operations were established profile banks such: deposit banks, re-count banks, re-count issue banks, documents mortgaged banks, documents of financial banks, guarantees banks.

If financial markets, banks are by far the most important link because through banks as is done not only banking products and services but also stock transaction, receipts of other financial institutions.

Secondly, across the economy need banks in several ways, namely:

1. All companies need banking facilities for commercial activities, for paying providers, guarantees offered to international partners;
2. Firms that excess cash will be safe;
3. Firms contact banks for the necessary funds to increase their activities (unsecured loans, cash needs);
4. Individuals want to keep savings safe and make profit from interest;
5. Individuals need to borrow from banks;
6. Government requires banks to determine interest rates/economy providence of deposit rates and loan rates.
7. Development government programs of economic sectors can be achieved only by banks

Most banks do not realize all the operations with products and services that can be found on the market. But the banking market consists of all bank activity.

For example, North American and West European banks have made and are working hard to meet as well and to satisfy as much the needs, expectations and demands of their clients (including systematic assessment of their satisfaction).

The banking perspective on quality management is extremely interesting, but given the specific of services and dynamism of supply and demand of banking products/services, and continue increased competition in the field. Increasing number of banks has led to development of competition and the development aspects of quality of banking services offered on the market (in order to consider and <perceived quality by client> not only <desired quality/performed by bank>).

Quality awareness by banks led to the appearance of applicable standards in the field. Establishing and developing standards with the performance measurement system are essential elements of a quality program. The need for such actions occur primarily when competition is increasing so banks either set their own standards themselves or have the support of specialized institutions.

The mere existence of standards in banks, however, is insufficient because it is more important to continuously carry out assessments of clients' perception on product quality and services provided and to measure the degree of satisfaction of requirements and expectations.

Finally, goals, strategies and specific policies of a bank determine the nature of quality approach in that bank.

European Single Market creates new problems, both industry and banking products and systems to protect consumers and organizations involved in harmonization of standards and legislation, all amid deepening competition.

Concerns about European Union harmonization directives on free movement of capital and services aim to identify and eliminate barriers by 2010.

The perception of banks' customers can be significantly improved through effective marketing and the important and supported concerns for continuous quality improvement, meeting the needs, requirements and expectations. Customer need to feel important and want to remain at a particular bank. For any bank is more expensive to attract new customers than to retain existing ones and so that banks should strive to devoted customers through any legal means possible.

It is well known banking products and services are the result from the work of commercial banks.

The main features of banking products are: they are immaterial; they are conditioned by banking and tax regulations; they are offered directly to the client (no possibility of resale or reconcession) and they directly involve the customer.

Banks are happy to make just a normal income for the mediation business. They seek whenever is possible and prudent to obtain profits by structuring the payment terms of banking assets and liabilities.

For instance Eastern European banks have faced - and still faces - the specific problems of quite another kind (balance sheet restructuring, recapitalization, privatization, changing mentalities, etc.). Consequently, for the most part, implementing a quality management system is not yet a priority.

In Romania there are currently only 4 banks that have implemented and certified quality management system in accordance with well-known international standards ISO 9000 family: The National Bank of Romania (just Directorate Information Services) - approved in 2000 by SRAC; Citi Bank Romania (subsidiary of Citibank USA) - certified in 2001 by AFAQ; Romanian Commercial Bank - certified in 2002 by Moody International (BCR won the 2005 Award for Quality Romanian <, JM Juran>); Eximbank - certified in 2005 by SIMTEX OC.

Other banks operating in our country still do not seem receptive to the benefits and, therefore, need to implement certification and quality management system as long as there are no rules (rule) of the bank or a law obliging them to something like this!

There are obstacles such as theoretical, cultural and human (including certain mentalities, attitudes and behaviors counterproductive, but also resistance to change).

Unprecedented slowdown in terms of competition between commercial banks, appear and worsen the problem in Romania as well as the maintenance of existing customers to obtain new customers, along with the need to achieve a certain level of turnover, efficiency and profitability banking activities.

The only possible way of solving the simultaneous and effective performance of all these problems is to generate/increase confidence and real potential customers - natural or legal person - the quality of products/services and processes of some banks.

In addition, we note that due to continued growth of customer requirements is increasingly less credible - and thus increasingly ineffective and inefficient - advertising done by other considerations than the results of a multi, competent, objective and transparent quality/services and banking processes. Under these circumstances becomes increasingly important added value for the client (created simultaneously with that for other partners of interest) in the various processes and departments of a bank. Note that the share of added value for each partner interests should be set fairly (including negotiation), is continuously assessed and met. Neglect or promote a partner - over others - is counterproductive behavior damage the evolution of business in the medium-term.

Upon the conclusion of the privatization process in the Romanian banking system, there will be acquisitions, mergers and market exit of some banks. Significant players will be reduced to large banks, competitive, well developed and supported national network of strategic partners.

Competition, particularly for seizing market for individuals (retail banking) - that provides banks cheap financial resources - will encourage the development of new banking products and services for these clients. The offer of retail banking services for corporate (corporate banking) will diversify the products and specific services (such as: leasing, factoring, rate, mortgages, e-banking, mobile banking etc.).

## Conclusions

The changes came thanks to the increasing importance of this area have resulted in a tendency of enlargement and dynamic international financial and banking activities and, therefore, increasing competition, has become a key factor in creating innovative products and services that capitalize on new technologies. The emergence of these products and services demonstrate waiver somewhat traditional image processing to banks and the trend towards flexibility with increasingly diverse needs of customers, a trend documented by the substitution of specialization with bank universalisation. The influence of these changes has led to increasing quality of **banking products** and **services** to maintain customer loyalty and trust. The objective of banks is particularly important in the current unfavorable economic context in which banks are increasingly calling on state and international financial institutions, appearing the possibility of customers' panic risk.

Customer needs and banking universalisation led its expansion into other industries, non-specific classical image of the bank: for example, they currently offer products and services insurance, pension funds, capital market, financial consulting.

Automation and modernization of techniques and methods in banking, including the offered **services** and **products**, was performed amid the emergence of revolutionary technologies, electronic and digital: the global network Internet has a great impact in all areas, and the banking system has become one of the most computer sectors of the economy. Acquisition and automatic processing of information was essential in the context of specific development **banking** operations, and management means for payment of accounts, management of securities and deposits, lending activity.

To maintain trust and customer loyalty in the context of increased competition due to easy adoption of new technologies by the entire sector, banks should implement safety systems in an attempt to combat fraud attempts. Moreover, new services, despite the facilities they have, are increasingly powerful and alienation disadvantage of the client bank. Electronic **banking** services offers information and making transactions through access to a computer connected to the Internet (e-banking), use of mobile services or use of programs dedicated to connecting the bank's server and client terminals.

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