

## Research Study on the Migration of Clients on Banking Market

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**Abstract:** In this paper we present the relevancy and importance of knowing the reasons on clients' migration to competitive banking institutions. The main reason of being the client of several banks is due to the fierce competition between credit institutions, thus the banking market has changed. Based on a case study within the Raiffeisen Bank we researched and presented the reasons for discontinuation of banking ties and the migration of clients to other banks. The used research methodology consisted of the application of analysis point of contact by sending a questionnaire through which there could have been identified 105 migrating clients, out of which 89 were former clients of Raiffeisen Bank. Since both in the specialized literature and in practice there is very little information about migration behavior of banking clients - especially in the category of small and medium enterprises - the present research was not limited to the Raiffeisen Bank clients, but to all 105 respondents who discontinued totally or partially their connection with the bank. It can be concluded that the attitude of the bank clients has a considerable influence on the migration behavior. The most "infidel" banking clients are considered in the category of "clients oriented towards the conditions."

**Keywords:** migration; client; bank; satisfaction; connection

**JEL Classification:** G20; G24

### Introduction

Banks among others faced a dynamic business environment that is managed in terms of technology, limitless at global level and oriented towards the client. These challenges, among others, have called for extensive searches to adopt appropriate strategies by organizations for growth and survival and turbulent change within the market. The business environment orientated towards the customer has forced all the business organizations, especially the banks to adopt strategies to pay attention to customers. This process was approached due to the satisfaction effect of the clients on the activity of a bank and its strategic position. Since the total quality of management strategy was built on the fact that it is a management philosophy that seeks to satisfy the clients through continuous improvement, it is of a potential

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value for the banks to increase the client's satisfaction and loyalty. The main aim of research is to find out the reasons for partial or total disruption of the banking connection of the SME and the migration to other banking institutions.

### **Research Method**

The analysis of the contact point will refer to the overall dimensions of quality banking services, and it will also focus on the concrete events (incidents), experiences of the clients, in direct contact with the bank. The purpose of analyzing the contact point is to find the critical quality point of contact, that is considered to have an influence on customer satisfaction and banking clients behavior - namely maintaining, respectively interrupting, the banking relationship.

A part of the questionnaire is addressed exclusively to clients who in the last two years interrupted totally or partially the connection with an existing bank. A total of 105 migrating clients were identified, of which 89 were former clients of Raiffeisen Bank. Since both in the specialized literature and in banking practice there is very little information on the banking migration behavior of the clients - especially belonging to the small and medium enterprises category - the present research was not limited to Raiffeisen Bank clients, but to all 105 respondents who discontinued totally or partially the banking connection.

### **Results**

105 migrating clients were identified. Of these 57.5% said that the bank with which they discontinued totally or partially their connection was their main bank with which they worked. Thus 42.5% of the migrating clients have stopped working with a secondary bank. Observing that only about 30% of the migrating clients maintain contact with only one bank, one can conclude that clients with more banking links are more likely to migrate than the ones with only one banking connection.

The main reason for being a client to several banks is that, the fierce competition between credit institutions has changed the market of the banking products. Investigating the reasons for the discontinuation of the banking relationship it emerged the situation graphically expressed in figure 1.

It can be seen that the main reason for stopping a banking link is obtaining better conditions both for the interest, loan, and credit, facilitated effectively from other banks. This result indicates that the "financial" side is more important than the so-called "spiritual" side, the competent consultancy, friendly service or rapid development of banking operations. The importance granted to banking conditions is reflected in the offers and banking services of different banks being perceived as

being similar, so interchangeable. Therefore the choice of the offer is subject to the conditions offered by the bank and the ability to obtain some credits on favorable terms. It can be concluded that not only the existing clients can be loyal by providing favorable conditions, but with this tool there can be attracted new clients from other banks as well.

In this paper we also wanted to find some other side effects of interrupting banking relations. From the empirical research it is known that the negative events/incidents are communicated on average, to other 11 to 20 people, unlike those positive ones which are presented to only 3 to 6 people. In this questionnaire it was questioned whether the discontinuation of banking relation has determined other clients to interrupt their relation with the bank (legal and physical entities). It was found that approximately one third of all clients who have migrated to another bank determined other people to do so as well (business partners, family, acquaintances), which means that these "former clients" have enough high influence on other relations between the client and the bank. Thus it appears that the termination of banking ties have significant side effects (by negative advertising). Also it was wanted to find out the intensity of these these side effects by questioning: how many people have stopped the banking connection since the migration of one client to another bank. In the sample it was showed the multiplication factor of 1.5 - that is, in fact, that if two clients migrate to another bank, the bank actually loses three clients.

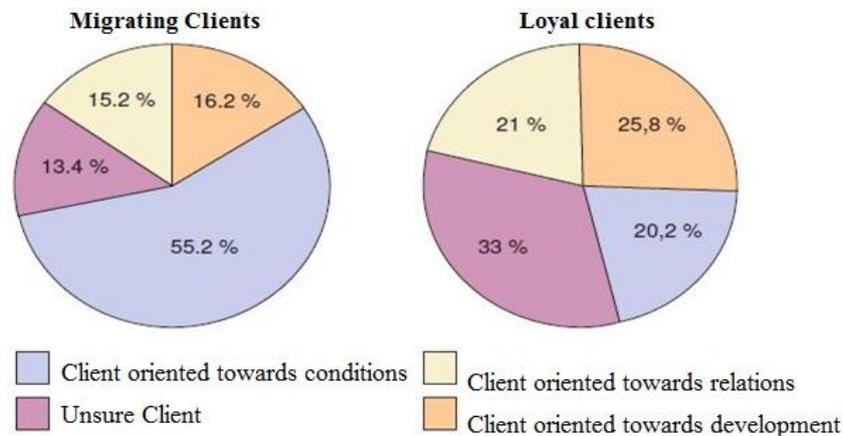
### **Distinct Features of Migrating Clients**

In the following attempts we answer the question - what characteristic features present the clients that have interrupted the banking ties and how they differ from those clients who still maintain the banking relations - taking into account both the characteristics of the company and the attitude of the banking clients of the two categories, namely migrating - loyal clients.

The results of the analysis highlight the following issues: the clients that have as their domain the trade, have migrated more frequently to another bank than those in the construction, services and manufacturing domain. It was also found that among the companies with less than six years old of activity the migration tendency is greater than among those approaching or exceeding ten years of activity. Regarding the attitude of the representatives of these companies and their relationship with the bank it was found that migrating clients, compared with those loyal, are informed and search more frequently in different banks to obtain better conditions, being willing to migrate to another bank for achieving this purpose.

The migrating clients have less confidence in the bank, in general, as evidenced by a more reliable attitude, independent in investment decisions or setting up bank deposits.

Framing the migrating clients in the typology of banking clients it showed that over 50% of migrating clients belong to the category of “banking clients oriented towards the conditions”. Other migrating clients were distributed almost equally in the other typologies.



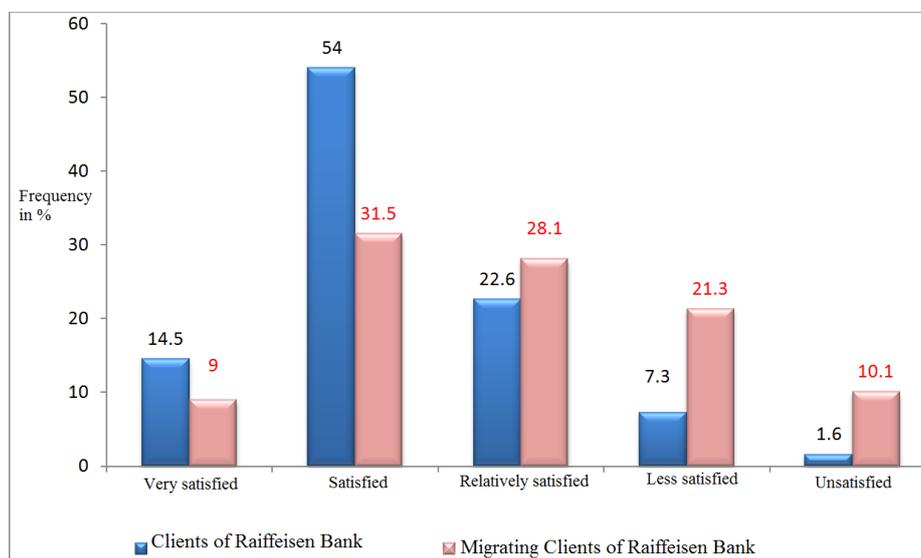
**Figure 1. Segmentation of migratory and loyal customers**

According to the above data it can be concluded that the attitude of banking clients have a considerable influence on the migration behavior. The most “infidels” banking clients are considered those in the category of “clients oriented towards the conditions.”

It was also analyzed the next issue, namely, the influence of the economic potential (the turnover) on the migration behavior. It could not be found any relevant influence, assuming that those clients who have a higher turnover are more numerous (better represented) in the group of migrating clients than in those of loyal customers, it was not proven to be true.

**The Satisfaction - Availability (Intent) Ratio for Migration**

The clients that discontinued their banking relationship were asked - before expressing an opinion on the migrating reasons - how satisfied they were with the bank when they still planned not to migrate to another bank. This question was intended as the deduction of the ties between declared satisfaction and the intention/willingness to migrate. The found results are shown in the following figure.



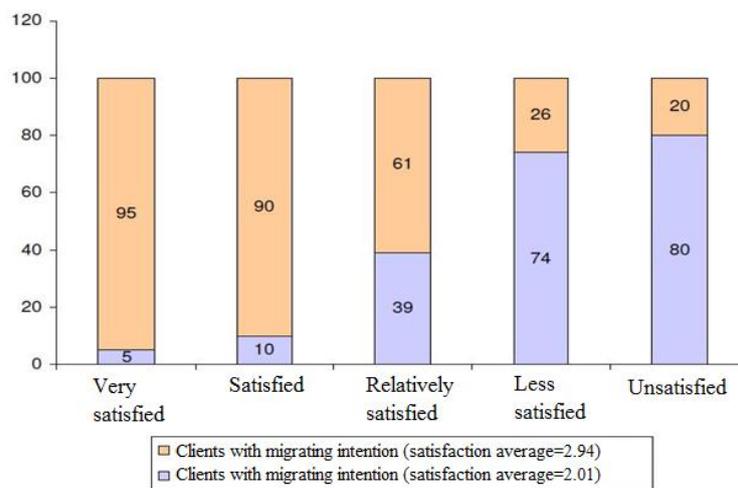
**Figure 2. Raiffeisen Bank migrating client satisfaction before the migration intention**

In the specialized literature it is indicated that, in general, between 65% and 85% of those who discontinued the business ties say that before stopping the connection were satisfied or very satisfied.

In the current case, the former clients of Raiffeisen Bank, of over 40% said that they were very satisfied or satisfied before stopping the banking connection (9% very satisfied and 31.5% satisfied). Therefore it can be concluded that about 60% of migratory clients have already shown - before the end of the ties with the bank - some restraint, and thus being expected an intent/availability for migration. Although under the declared values in the specialized literature, however, the percentage of 40% is a percentage worthy of taking into consideration. It is known that even higher levels of satisfaction are not a guarantee that the client does not migrate to another bidder. This result supports the idea that in the event of a critical situation it may be the cause of bank relations interruption. Until the occurrence of a critical event/incident, the client was satisfied with the bank. With the advent of the incident, that contentment, satisfaction suddenly transforms into unsatisfaction, and the only solution for the client remains to end the relationship with that bank and to migrate to another.

By comparing between the satisfaction degree of Raiffeisen Bank's clients and those who have migrated, it can be seen that the average of migrating clients' satisfaction is at the value of 3.00 compared to 2.22 value of the remaining loyal bank customers. This value indicates that the clients that appreciate the satisfaction for the bank at the medium level are - in terms of the bank - "in danger" for leaving the bank.

In order to validate the assertion that, indeed, an average satisfaction (3.00) indicates a lower loyalty to the bank, the Raiffeisen Bank clients were asked and their intention/availability for migration. The responses to these questions were correlated with the degree of expressed satisfaction. As shown in the figure below, the results support an assertion, namely, that the already average values of satisfaction expressed by clients may have unpleasant consequences for the bank. Also it can be seen specifically how big is the percentage of those customers who, although have expressed their satisfaction with the bank, they thought of the possibility to migrate.



**Figure 3. The ratio of satisfaction intention / willingness towards migration**

As shown in figure 3 almost 40% of the clients, for example, with an average degree of satisfaction states that they thought to leave Raiffeisen Bank, thus the average of the satisfaction degree of the clients which have sought to migrate to another bank is of 2.94. Customer satisfaction degree of the clients that did not thing to migrate to another bank differs significantly, being at 2.01.

These findings thus confirm that the perception of orienting towards the client of the bank has an influence on the availability of banking clients migration. It is also noteworthy that the value of 2.94 for clients who once thought to migrate to another bank is very close to the calculated value for clients who have migrated to another bank, namely, 3.00.

From the above it can be concluded that it is possible the critical indication of satisfaction to which the clients still remain loyal to the bank. This value is 3.00 in the present study. The values between 2.00 and 3.00 can be considered as acceptable. But in order to really attach the clients to the banking institution, this value should strive from 2.00 up to 1.00.

## Conclusions

In this paper we found the side effects of interrupting the banking relation. From the empirical research we know that the negative events/incidents are communicated on average, to other 11 to 20 people, unlike those positive ones which are of only 3 to 6 people. In the questionnaire it was questioned whether the discontinuation of banking relationship triggered the interruption of banking ties and other clients (legal and physical entities). It was found that approximately one third of all clients who have migrated to another bank has led for other people (business partners, family, acquaintances) to break contact with that bank, which means that these "former clients" have enough high influence on other relations between the client and the bank. In the sample it showed the multiplication factor of 1.5 - that is, in fact, that if two clients migrate to another bank, the bank actually loses three clients. Framing the migrating clients banking in the typology of banking clients it showed that over 50% of migrating clients are part of "client oriented towards banking conditions" it can be concluded that the attitude of banking clients have a considerable influence on the migration behavior. There are considered as being "infidels" those clients that are in the category of "clients oriented towards conditions." Therefore it can be concluded that about 60% of the migrating clients have already shown - before ending the ties with the bank - some restraint, and thus being expected the intent/availability towards migration. This result supports the idea that a critical situation may be the cause of interrupting the banking ties. Until the occurrence of the critical event/incident, the client was satisfied with the bank. With the advent of the incident, that contentment, satisfaction suddenly transforms into un-satisfaction, and the only solution for the client is to end the relationship with the bank and thus migrating to another.

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