BRAND. Broad Research in Accounting, Negotiation, and Distribution
e-ISSN: 2067-8177 | p-ISSN: 2068-0473
Covered in: EBSCO; RePEc (Ideas, EconPapers); Google Scholar; Zenodo; Academia.edu;
2023, Volume 14, Issue 1, pages: 25-29.
Submitted: January 8th, 2023 | *Accepted for publication:* March 9th, 2023

The Importance of Customer Relationships. Factors Influencing Customer Behaviour as an Individual

Bianca-Georgiana Diaconu
Ioan Slavici University of Timişoara
Professor Doctor Aurel Păunescu Podeanu Street, Timişoara, 307200, Romania.
https://orcid.org/0000-0003-2616-273X

Abstract: *Customer relationships are a fundamental aspect of the financial-banking sector due to the competitive nature of the industry. Maintaining existing customers is more cost-effective than acquiring new ones, making customer satisfaction a key priority for financial institutions. This paper examines the importance of banking relationships, factors influencing customer behaviour, and the purchasing decision process of individual customers. The study highlights the role of service quality in building customer trust and explores the psychological, economic, cultural, and social factors affecting financial decision-making. Furthermore, the paper outlines the stages of the consumer purchasing process and their implications for financial marketing strategies.*

Keywords: *customer relationships; financial marketing; banking sector; customer behaviour; purchasing decision process; Maslow's hierarchy of needs; marketing strategies.*

How to cite: Diaconu, B. G. (2023). The importance of customer relationships. Factors influencing customer behaviour as an individual. *BRAND. Broad Research in Accounting, Negotiation, and Distribution. 14*(1), 25-29, https://doi.org/10.70594/brand/14.1/4

1. Introduction

In the highly competitive financial-banking industry, customer retention is critical for long-term profitability and business success. Financial institutions must focus on providing high-quality services to ensure customer satisfaction and loyalty. Given that retaining existing clients is more cost-effective than acquiring new ones, banks prioritise relationship marketing to maintain long-term engagement with their clients. (Cetina, 2005)

This paper explores the importance of customer relationships in the banking industry, analysing how financial institutions develop strategies to meet customer needs effectively. Additionally, it examines key factors influencing customer behaviour, such as cultural, social, personal, economic, and psychological influences. Understanding these aspects helps financial institutions anticipate client expectations and tailor their offerings accordingly. The paper also discusses the stages of the purchasing decision process, offering insights into how banks can optimise customer interactions to enhance trust and satisfaction.

2. The Importance of Customer Relationships

Currently, any financial-banking institution, due to the nature of its activities and the competitive environment, must first focus on maintaining existing customers before seeking new ones. This goal can only be achieved by satisfying customer needs. Retaining an existing customer is significantly more cost-effective than acquiring a new one, and like any other business, financial institutions aim to maximise their profits. In the banking market, maintaining customer loyalty is a critical aspect of a successful marketing strategy. (Cetina, 2005)

As a result, financial-banking institutions tend to focus on relationship services that involve continuous interactions and long-term engagement with customers. A primary example of such a long-term service is the current account. Additionally, individual services, such as currency exchange, frequently used by many clients, also contribute to profitability. However, in Romania, Raiffeisen Bank (Hotnews, 2022) has recently decided to suspend cash transactions by closing its cashier services nationwide. Instead, each city is equipped with multifunctional ATMs that allow foreign currency withdrawals, and currency exchange transactions are conducted via the bank's application.

To ensure the continuity of the bank-client relationship, services must be of high quality and easy for customers to understand. This relationship contributes to the establishment of service quality standards (Vorzsak, 2004), which include:

- Knowledge, interpersonal skills, motivation, and personality of service providers
- Service circumstances and environment
- Customer perception and behaviour
- Responsibility for confidentiality, including financial protection and advisory services
- A two-way flow of information

3. Factors Influencing Customer Behaviour as an Individual

Since customer loyalty plays a crucial role in the long-term success of a financial institution, understanding customer behaviour is essential. Studying customer behaviour is a core marketing activity that helps banks anticipate reactions and tailor their service offerings accordingly.

The factors influencing customer behaviour as an individual are categorised as follows:

- Cultural factors
- Social factors
- Personal factors
- Economic factors
- Psychological factors

Cultural factors include beliefs, ethics, morality, personal values, and traditions. These are acquired throughout an individual’s life, from childhood to adulthood, and are shaped by family, friends, and colleagues. Financial institutions recognise that cultural factors directly influence a person's attitude towards saving, spending, or borrowing money.

Social factors derive from cultural influences but can be shaped by social groups that have a direct or indirect impact on an individual. Marketers refer to these as reference groups since consumers often seek their advice before making financial decisions. Reference groups include:

- Family
- Friends
- Professional groups

The degree of influence varies throughout a person's life, and individuals may become members of different reference groups over time. Due to the multiple social influences on customer behaviour, marketers aim to understand these dynamics to take appropriate actions for improving the institution's image and marketing strategies.

Personal factors that influence financial decision-making include:

- Age
- Occupation
- Life cycle stage
- Lifestyle changes

Economic factors play a crucial role in an individual's decision-making process when selecting financial products or services. These factors include:

- Current and future income levels
- Savings and investments
- Existing debts
- Borrowing capacity

Research indicates that income level directly affects financial behaviour:

- Customers with lower incomes tend to focus on short-term financial planning.
- Customers with higher incomes engage in long-term financial planning and investments.

For marketers, this information is highly valuable as it enables realistic audience segmentation and the development of targeted financial offers. In a stable market, cultural and social factors remain consistent throughout an individual's life, while economic and personal factors tend to change over time.

Psychological factors, including motivation and perception, influence an individual's financial decisions.

For marketers, Maslow's Hierarchy of Needs has proven to be a valuable model for understanding consumer behaviour. According to Maslow's theory, human needs are arranged in a hierarchical structure based on the motivation that drives them. This concept is visually represented in Maslow's Pyramid, which categorises needs into different levels. (Maslow, 1943)

Below is an illustration of Maslow's Pyramid of Needs:

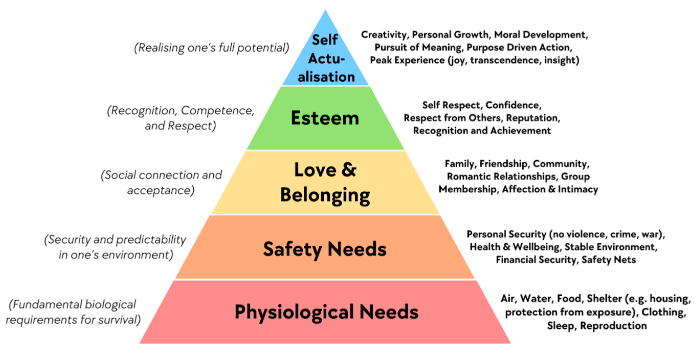

Figure 1. Maslow's Pyramid

A person's reaction is determined by their perception of a particular financial or general situation, often not reflecting the actual reality. It is crucial that the analysis of how financial products are perceived is explained by the seller in a very clear and coherent manner, as the first perception matters.

4. The Stages of the Purchasing Decision of an Individual Customer

The individual customer has a distinct purchasing process, which can be identifiable, conscious, or unconscious. Ultimately, the customer will go through five different stages:

- Need Identification (Problem Recognition)
- Information Search (Gathering Information)
- Evaluation of Alternatives (Considering Options)
- Purchase Decision (Making the Purchase)
- Post-Purchase Evaluation (Post-Purchase Behaviour)

The image below illustrates the five stages of the purchasing process:

Figure 2. The Purchasing Process

In the first stage, need identification, marketers analyse the factors that triggered the customer's need for financial products or services. Collecting this information from clients allows financial-banking institutions to develop optimal strategies to stimulate customer interest in their products and services.

In the second stage, information search, the financial-banking institution focuses on identifying the sources from which customers gather information. These sources can include:

- Personal sources – reference groups
- Commercial sources – branch networks
- Public sources – advertisements
- Experiential sources – direct experiences

In the third stage, evaluation of alternatives, customers go through the following steps:

- Identifying attributes of financial products and services
- Associating personal perceptions (knowledge)
- Building trust
- Evaluating the satisfaction provided by the financial product
- Assessing purchasing possibilities

At this stage, marketers aim to influence customer perceptions by adding features to financial products that align with customer preferences.

In the fourth stage, purchase decision, marketers must focus on assisting customers throughout the buying process to ensure they develop a positive perception of both the financial institution and the product itself.

The final stage, post-purchase evaluation, is centred on customer satisfaction. The customer experiences a level of satisfaction or dissatisfaction based on the comparison between their expectations and the financial product itself. Marketers play a crucial role in this process, regardless of customer reactions. If a negative reaction occurs, they must implement corrective actions and address complaints to prevent negative publicity.

5. Conclusion

Customer relationships are a cornerstone of success in the financial-banking sector. Institutions that prioritise customer retention through personalised and high-quality services gain a competitive edge. Factors such as cultural background, economic conditions, and psychological influences shape consumer behaviour and purchasing decisions. Financial institutions must adapt their marketing strategies to these influences, ensuring that customers perceive their services positively.

Furthermore, understanding the five stages of the purchasing decision process allows banks to refine their approach, from initial need recognition to post-purchase evaluation. By implementing effective marketing strategies based on customer insights, financial institutions can strengthen loyalty, improve customer satisfaction, and achieve sustainable growth in a dynamic market.

6. References

Cetina, I. (2005). Marketing financiar bancar. *Editura Economica, Bucureşti.*

HotNews. (2022). Raiffeisen Bank anunță că aproape întreaga rețea de unități operează fără casierii: Relația cu IMM-urile și persoanele fizice. *HotNews.* https://economie.hotnews.ro/stiri-finante_banci-25305232-raiffeisen-bank-anunta-azi-aproape-intreaga-retea-unitati-opera-fara-casierii-relatia-imm-urile-persoanele-fizice-vor-mai-putea-face-operatiuni-casierii-pana-1-februarie.htm

Maslow, A. H. (1943). A theory of human motivation. *Psychological Review, 50*(4), 370-396.

Vorzsak, A. (2004). Marketingul serviciilor. *Editura Presa Universitară Clujeană, Cluj-Napoca.*