Customer-driven Philosophy in Banking Industry: The Case of Greece

Abstract

Relationship banking (RB) philosophy has become a topic of increasing importance in strategic marketing management. RB concerns *inter alia* the applying of customer-driven strategies using advanced information technology. This study investigates the RB in the Greek banking industry overall and under different ownership status too (privately-owned vs. stated-controlled vs. foreign banks). Based on a wide field of research during the period 2005-2006, indeed, we find that banks in Greece apply the philosophy of relationship banking; however, privately-owned and foreign banks implement RB strategies more systematically and effectively in comparison to state-controlled banks. Our results usefulness is twofold: they satisfactorily justify the considerable growth of the private banking sector in the Greek economy and significantly enrich the service-profit chain of the specific industry.

Keywords: relationship banking philosophy, customer retention, information technology, relationship marketing, Greece

1. Introduction

Several studies (e.g. Bejou *et al.*, 1998; Dibb and Meadows, 2004) note the necessity for creating bonds with customers. There are three main reasons for this necessity: Firstly, it costs as much as five times less to retain existing customers rather than to acquire new ones (Ryals and Payne, 2001). Secondly, banks can turn to advantage more easily existing customers' lifetime value, in terms of financial products and services. That is, they are able to achieve a surplus of revenue on the costs of selling to and servicing the customers (Ahmad and Buttle, 2001). Thirdly, a guarantee of minimum profits is generated per fiscal year, since it is obtained a steady stream of annual sales (Reichheld, 1993). All these lead to an increased value-relevance of customer orientation. As a result banks attempt to incorporate into their philosophy and organizational culture the framework of relationship banking (RB), that is, the concept of managing the relationship with a customer (Barnes and Howlett, 1998). Thus, the strategic objective of RB is to seek for long-term commitment in which the bank will be able to maximize the lifetime value of customer to the bank (Lewis, 2005) and, through a one-to-one relationship, to increase bank's shareholder value (Olavarrieta and Friedmann, 1999).

The general philosophy of RB is shown in figure 1.

Here Figure 1

Given that the internal environment is a direct determinant of the external one, this inter-relationship leads to a triangular interaction between banks, employees and customers. This interaction expresses the organizational culture of a banking institution. Bennett and Durkin (2002) conceptualize organizational culture as the result of inter-relationship between variables related to the internal and external environment of banks. Internal environment refers to internal service quality, employee satisfaction and employee retention (McKinnon *et al.*, 2003). The external one concerns external service quality and customer satisfaction (Pettijohn *et al.*, 2004).

The interaction of internal and external environments is examined taking into account the impact of new technologies on the process excellence of banking institutions. Specifically, technological developments have created a climate of global change and increased competitiveness which in turn gives the opportunity for more convergent, interactive and capable of connectivity networks (Peppard, 2000). Banks examine these developments in order to modulate and support their business strategy by identifying potential opportunities in differentiation (Young, 1999). For instance, a 'learning relationship' is created, which gives the opportunity to customers to achieve suitable service delivery (Dibb and Meadows, 2004) and to banks to use rapid technological changes in order to understand customers' needs and buying behavior (Ryals and Payne, 2001). This way, banks are able at first to retain their survival and in succession their competitive advantage (Bátiz-Lazo and Wood, 2003).

Our study aims to investigate whether banks in Greece adapt to a customer-driven philosophy. In particular, we examine three aspects of RB: internal service quality (i.e. employees), process excellence (i.e. information technology within institution) and external service quality (i.e. customers). The study is innovative due to the following reason. Greece is a member of the European Union (EU) which has recently achieved an important macroeconomic stabilization in the context of European Monetary Union (EMU). In this environment, the banking industry in Greece has undergone major changes, one of which is the suppression of the dominance of state-controlled banks by both native private-owned and foreign ones. Consequently, the banking industry is comprised of banks of three different types of ownership status; that is, privately-owned, foreign and state-controlled banks. The main question raised here is whether there are specific remarkable differences in adapting RB under different ownership status.

This article proceeds as follows. The following section provides the theoretical background to an effective RB philosophy and sets the relevant hypotheses. The next section describes the sample and the methodology we employ in order to analyze an original data set stemmed from a wide field of research. The subsequent section presents the empirical results and discusses their impact on the Greek banking sector. The final section presents summary and concluding remarks.

2. Theoretical background

Nowadays, financial markets meet the criteria for perfectly competitive markets, which result in profits that are influenced by competition not only from existent organizations in the market but also from possible-to-enter ones (Bátiz-Lazo and Wood, 2001). In this environment, banks are ever more realizing that they must achieve service excellence in order to retain their existence, which is translated into success to understand customer needs and behavior. In doing so, they have to incorporate a comprehensive perspective of customer-driven cultures, with front-office and back-office integration, which can be captured by focusing on a theoretical model such as the service-profit chain of Heskett *et al.* (1994) in Figure 2.

Here Figure 2

As can be seen in Figure 2, internal quality determines employee satisfaction, which "is measured by the feelings that employees have toward their jobs" (ibid., p. 168). In turn, employee satisfaction leads to loyalty, which comprises a prerequisite to achieve a low level of employee turnover. The latter results in employee profitability, aligning with the primary corporate goal, and permits their retention. The entire process is necessary for achieving high external service value and increasing the level of customer satisfaction, since customers will stay loyal to a company, only if they feel that they receive greater value than they would do in the case of another competitive bank (Angelis *et al.*, 2004).

According to Heskett *et al. (*1994) and Pavlik (2002), an effective RB philosophy is managed provided that banks have the right operating strategy in respect of employees, process excellence with technological support and service delivery system. This element in conjunction with leadership management and culture modulate the philosophy of each bank and set their profitability as a function of employees' loyalty and customers' long-term commitment (Dawes and Swailes, 1999). To be more precise, leadership concept has to do with understanding the service-profit chain and developing and maintaining a corporate culture which is focused on service to customers and fellow employees (Heskett *et al.*, 1994). Kelloway *et al.* (2000) link the value of leadership with the vision of tomorrow for employees, establishing its proactive role. Bátiz-Lazo and Wood (2001) highlight the crucial role of visionary (i.e. leadership) strategies in explaining changes in size, scope and diversity as a response to technological changes. Moreover, Barnes and Howlett (1998) provide evidence that leadership improves employees' attitude and performance when it is associated with commitment to the organization, trust in management and self-esteem. Palmer *et al.* (2001) find that leadership training enhances leadership effectiveness and in turn organizational culture by applying development programs which are based on mental and emotional skills. Sarros *et al.* (2002) highlight the necessity for effective leadership style because of the existence of a volatile context and the resulting increased competitiveness. House *et al.* (2002) investigate organizational behavior and they result in its effectiveness by leadership, social cultural values and strategic organizational contingencies.

In general, banks implement their organizational culture based on modulated values and practices, which in turn are reflected on their "reason for being" and the utilization of their strategic assets, i.e. employees and customers (Hofstede *et al*, 1990). The above implementation should be realized by using different means such as e-business (Ibbotson and Moran, 2003), channel management (Shulver and Lewis, 2003), relationships (Durkin and Bennett, 1999) and management of the total enterprise (Schultz *et al.*, 1999) in order to create viable customer relationships (Peppard, 2000). This would enhance their ability to reduce cost of business (Deshpandé and Farley, 2004), increase service quality level (Sureshhandar *et al.* 2002), extend global reach (Canals, 1998) and, of course, increase profitability (Pettijohn *et al.*, 2004).

Further, McCuistion (2000) supports that banks have to take into account changes in several fields such as technology, competition and market share in order to improve their external service value. Especially, technological innovation owes to be integrated into the productive process of banks, since it is considered as compulsory and determinative for the quality level of delivered service. Rewording, our point of view is that, it is vital for banks to incorporate technological changes in order not only to confront hyper-competition and declining market shares, but also to utilize them so as to understand their bottom-line formation. Like that, banks will be able to decrease their turnover and, in turn, to increase their profitability (Barnes and Howlett, 1998).

Taking into account the entire theoretical background, we are led to three critical dimensions of RB:

- The dimension of internal service quality, which focuses on factors of efficient internal environment and employee satisfaction, such as: bonus (BO) – e.g. Pavlik (2002); further education (FE) – e.g. Palmer *et al* (2001) ; recreative exhibits (RE) – e.g. Palmer *et al* (2001); seminars (SEM) – e.g. Palmer *et al* (2001); trust and commitment (TC) – e.g. Dawes and Swailes (1999); and, training (TRA) – e.g. Palmer *et al* (2001).
- The dimension of process excellence, which contains qualitative indications about service delivery system such as: communication channels (CC) – e.g. Shulver and Lewis (2003); information technology (IT) – e.g. Bátiz-Lazo and Wood (2003); branch network (BNET) – e.g. Peppard (2000); staff reduction (SR) – e.g. McKinnon *et al* (2003); process management (PM) – e.g. Heskett *et al* (1994);

total service quality (TSQ) – e.g. Schultz *et al* (1999) and, staff stability (SS) – e.g. McKinnon *et al* (2003).

- The dimension of external service quality, which consists of variables setting the way banks attempt to retain their customers such as: customer profitability (CP) – e.g. Lewis (2005); customer value (CV) – e.g. House *et al* (2002); branding (BRA) – e.g. Angelis *et al* (2004); pricing (PRI) – e.g. Deshpandé and Farley (2004); bonds (BOND) – e.g. Dibb and Meadows (2004); updated service delivery system (USDS) – e.g. Dibb and Meadows (2004); innovative products (IP) – e.g. McCuistion (2000); and, internal service quality (ISQ) – e.g. Bennett and Durkin (2002).

In Greece, banks seem to implement RB philosophy on all these parts of service-profit chain regardless of their ownership status; and this is, because they do continually seek for improving their competitiveness so as to correspond successfully to the new environment of financial services' globalization. For this reason, they have substantially invested on new technologies, human resources and contemporary promotion systems of their services. In practice, it is of great interest to research not only the extension of implementation of this policy but also the potential asymmetries among the three groups of financial institutions. Therefore, we consider as motivating to investigate how these banks modulate their organizational philosophy in the context of such mutated environment setting ownership status fixed-effects as well as examining separately privately-owned, state-controlled and foreign banks.

For instance, Angelis *et al.* (2004) counts on customers' satisfaction and perceived value from the banking received to provide evidence on different organizational cultures among privately-owned and state-controlled banks in Greece. According to their study, state-controlled banks do not present flexible structures and adaptable procedures. Their personnel perform a bureaucratic attitude which leads to institutions' glitch in the pattern of "indifference about customer problems, limited willingness to provide customer service and disregard for appropriate dress and considerate and polite behavior to customers, [believing] that their career is independent of their performance" (ibid., p. 372). Adapting this frame and yet taking into account the different nature of competitive advantages of each group of banks, we assume that there are virtual differences in their policy regarding RB. Especially, in order to check potential differences between the three groups of banks with respect to the above mentioned three dimensions, the following three hypotheses have been formulated correspondingly:

H_1: *There are significant differences between the three groups of banks in terms of RB implementation with respect to internal service quality*.

H_2: *There are significant differences between the three groups of banks in terms of RB implementation with respect to process excellence*.

H_3: *There are significant differences between the three groups of banks in terms of RB implementation with respect to external service quality*.

3. Methodology and sample

During the 90's, the banking sector in Greece has met major changes. The entire context of globalization and strong competition has been the reason for important mergers and acquisitions (M&As) during this period which have caused the reformation as well as the modification of the concentration level of the banking sector in Greece. In this oligopolistic environment, there are discernible groups of financial institutions which present particular characteristics and explicit marks such as ownership status and business size.

In particular, as far as the ownership issue is concerned, the government has attempted to privatize the state-controlled banking sector in order to improve the asset management of the state. This policy has created the proper conditions for the entrance of new either domestic private-owned or foreign banks in the Greek banking industry increasing their competition for higher market shares. Simultaneously, it has set the adoption of continuant technological changes as the prerequisite for obtaining competitive advantage. With respect to business size, the evolution process has led to greater banks which attempt to provide customers with appropriate banking products via the means of universal banking. At the same time, there are some small banks with low market shares which take advantage of specific market segments operating in the framework of specialized banking.

To see experience and use of RB, a field research is undertaken in order to examine current practices in Greek banks. The Greek banking environment is at present engulfed in a very healthy and intense competition between state-controlled, privately-owned and foreign banks and between large and small-medium banks as well. Therefore, the industry provides a perfect platform to look into the critical issues of RB - from the perspective of management, marketing and IT - in order to better understand the nature and the level of RB implementation in the Greek banking industry.

For the needs of our primary qualitative research, data came from in-depth interviews and an eighteen-open-question questionnaire survey (see appendix). We use open-questions because we consider in-depth interviews as the primary research instrument. Participants were interviewed in person and were promised anonymity as the majority expressed concerns about commercial confidentiality. Interviews typically lasted one to two hours, while participants were willing to participate for this length of time.

Banks included in the sample are chosen based on their customer base and comprise a representative sample of data from the top thirty organizations in Greece. In particular, we select 8 privately-owned, 4 state-controlled and 8 foreign banks during the period of 2005-2006, which resulted in a total of 20 organizations. Besides, the number of large and small-medium banks in the sample is proportional so as to correspond to the total population. In particular, we select 9 large and 11 small-medium banks. In selecting the interviewees within each bank, we use a stratified random sampling based on the group of bank and we selected at random among middle and top level executives (Sureshchandar *et al.*, 2002).

Here Table 1

Table 1 demonstrates general characteristics of our interviewees. A total of 287 executives from 27 different banks were approached from whom 210 belonging to 20 banks responded, yielding a participation rate of around 73 percent. The consequential loss of data is mainly attributable to the dominance of bureaucratic circumstances and the unwillingness to participate in the interview process.

In order to analyze the data and to test our hypotheses concerning potential differences between the three groups of banks (privately-owned banks, state-controlled banks and foreign banks), we apply three statistical procedures. First, the data are analyzed using frequency counting (Ryals and Payne, 2001). Second, an ANOVA test and a *post hoc* test of Bonferroni (Sureshchandar *et al.*, 2002) are also used. Third, RB indices are computed.

4. Empirical results

4.1. Descriptive statistics

As can be observed in figures 3 to 5, banks, especially privately-owned and foreign ones, emphasize on both internal and external service quality. They pay attention especially to mechanical aspects of service delivery, i.e. whether ATMs work properly (process quality), to technical aspects, i.e. whether a matured private long-term plan has performed properly (output quality), or even to the way a branch is decorated and modulated, i.e. whether a branch has the prescription for housing a friendly and comfortable environment (physical quality). Moreover, they point out that a successful implementation of these parameters leads to a high level of another kind of service quality; that is, corporate quality, i.e. the image of the bank.

Here Figures 3, 4 and 5

Information technology (82.86 percent) and communication channels (80.00 percent) are essential for delivering high quality service to the customer. The adoption of a unified operating system per bank (57.14 percent), the connection not only among branches (45.71 percent) but also between branches and management through intranet (80.00 percent) and the development of alternative networks (i.e. internet or phone banking) permit activity expansion. It is worth mentioning that at the moment banks implement five kinds of banking, which are presented in priority order: traditional banking; pc-banking (ATMs); phone banking; internet banking; and, mobile banking. However, application of information technology differs among banks depending on their ownership status (100.00, 57.14 and 100.00 percent respectively).

Interviewees consider internal service quality (60.00 percent), bonds with customers (100.00 percent) and price of delivered service (100.00 percent) as crucial issues for external service quality and customer retention. This finding is also confirmed by literature. For instance, Harrison (2000) presents these as the main issues of service-profit chain and notes that by satisfying the needs of their employees, banks may be more efficient in satisfying the needs of their customers and creating bonds with them. However, our results show that privately-owned and foreign banks adopt a more ‘aim-at-profit’ profile (CP: 62.85 percent and PRI: 100.00 percent); this contrasts with the more ethical profile of state-controlled banks, which emphasizes on issues such as customer value (90.00 percent) and branding (64.29 percent).

4.2. Econometric tests

To test our hypotheses, an ANOVA test and a *post hoc* test of Bonferroni have been performed. The results are summarized in Table 2.

Here Table 2

The values for 18 out of 21 variables were found to be significantly high compared to the critical value for F-distribution at the 0.01 level. These findings confirm our hypotheses, implying significant relationships between the three groups of banks with respect to all 3 RB dimensions. However, the *post hoc* comparisons result in mixed results, which imply that there are remarkable differences in adapting RB under different ownership status. There are significant differences between privately-owned and state-controlled banks; privately-owned and foreign banks, and state-controlled and foreign banks with respect to 5 out of 21 variables. These variables are: trust and commitment; process management; customer value; updated service delivery system, and internal service quality. Further, in the case of 9 variables, there are significant differences between privately-owned and state-controlled banks and state-controlled and foreign banks. These variables are: bonus; recreative exhibits; communication channels; information technology; branch network; total service quality; customer profitability; branding and innovative products. But there are no significant differences between privately-owned and foreign banks with respect to these variables.

In addition, there are significant differences only between privately-owned and foreign banks and state-controlled and foreign banks in the case of just 2 variables, which are seminars and training. Similarly, there are significant differences between privately-owned and state-controlled banks with respect to staff reduction and staff stability. Finally, there are 3 variables that reveal no significant differences between the three groups of banks. These are further education, pricing of delivered service and bonds with customers.

Empirically, the expected line is privately-owned banks to keep up with foreign banks, and in general private and public sector to be significantly different amongst. Indeed, these findings show that there is certainly a high level of variation between privately-owned and state-controlled banks and state-controlled and foreign banks, but no significant difference between privately-owned and foreign banks, concerning RB implementation from the perspective of management, marketing and IT.

4.3. RB indices

The values of the index for the different groups indicate how well each group of banks does out of the three dimensions (Table 3). RBI for a particular sector has been computed by taking the average number of responses in each sector and normalizing it by dividing by the number of variables in each dimension. A similar method has been used by Sureshchandar *et al. (*2002).

Here Table 3

RBI values point out that foreign banks do very well in all three dimensions. Similarly, privately-owned banks are fairly good at performing RB elements. On the contrary, RB indices for the state-controlled banks are relatively low. These indices show that this group of banks hardly adapts RB philosophy. Concerning the banking industry as a whole, RB indices indicate a satisfactory performance by the Greek financial institutions. RB indices present values on the maximum possible score of 1.

For the three groups, foreign banks are able to better achieve internal service quality. In other words, they are capable to reach a higher level of employee satisfaction and, in turn, a lower level of employee turnover. Consequently, foreign banks may better understand their bottom-line formation and increase their profitability. An efficient process management with TSQ issues and technological support, combined with an updated service delivery system, integrate the concept of an effective RB philosophy. However, it seems that they ignore the social responsibilities (i.e. significant difference in "customer value" variable and low percentage rate) and focus only on financial aspects, which may be disadvantageous for foreign banks in the long term.

Privately-owned banks' score in ISQ dimension is relatively close to foreign banks' one, which implies their effort to increase their quality level and incorporate valuable practices from abroad. They also seem to be doing well with respect to ESQ dimension, but they seem to have some problems in process management and in human resource management. Moreover, their "customer value" variable is poor as well, which means they have to concentrate more on aspects of social responsibility too.

State-controlled banks meet the terms of social obligation, whereas they do not meet the terms of RB implementation. The poor RBI values show that they are yet to come to grips with the real meaning of RB. Though state-controlled banks own a major branch network and have a great market share in banking industry, they fall short of an efficient customer and quality management program. This makes them disable to challenge foreign banks and privately-owned banks in the long run and gives reasons for the considerable growth of privatization of state-controlled banks in Greece. In his empirical studies Megginson (2004) confirms that state-controlled banks demonstrate significant improvement and efficiency regarding their function after being privatized. Similarly, Mohieldin and Nasr (2007) and Omran (2007) examine the case of Egypt and argue that state-controlled banks lag behind in terms of efficiency and performance compared to private (domestic or foreign) banks. Particularly, Clark *et al* (2005) underline that lower performance of state-controlled banks before privatization is due to three main reasons; political intervention, corporate governance problems, and problems associated with competition.

All toghether, concerning the RB indices for the Greek banking industry, our results indicate a satisfactory performance, even though there seems to be ability for further improvement compared to the level of RB implementation by EU or US banks (Deshpandé and Farley, 2004). We regard these results as highly informative about the various variables of service-profit chain of Heskett et al (1994) due to the fact that they reveal most significant components of this chain in terms of the Greek banking industry. Figure 7 demonstrates, in all, the concept and the statistically significant elements of RB in banking industry in Greece as it is presented by middle and top level executives.

Figure 7 here

Similar results were obtained in studies that examine either the Greek market or other markets. Angelis *et al* (2004) result in significant cultural differences between privately-owned and state-controlled financial institutions by measuring bank performance in terms of customers' perceived value received from the banking services. Moreover, within the measurement of politics effect on the correlation between bank ownership and performance, Micco *et al* (2007) conclude that state-controlled banks located in developing countries perform worse compared to privately-owned banks in terms of profitability and cost whereas the opposite is true for foreign banks. Contrary to this, Khatri and Kumar (2003) as well as Sensarma (2006) examine performance of Indian banks after deregulation in terms of efficiency and productivity and result in better performed state-controlled banks compared to foreign banks and sometimes even to domestic private banks. However, this superiority does not necessarily mean that public ownership is better than private (domestic or foreign) ownership. Finally, Kosmidou *et al* (2006) analyze financial characteristics of foreign and domestic banks in the UK and argue that, despite domestic institutions in developed and industrial countries are generally more efficient than institutions from foreign nations, this result is not valid for developing countries, where foreign banks have a leading role on enhancing the efficiency of the domestic banking sector.

5. Summary

It is obvious that RB is the most updated philosophy in financial services industry worldwide. Based on a sample of 20 banks and 210 questionnaires we have examined the RB issues in the banking sector in Greece from the perspective of management, marketing and information technology. In this context, we have investigated three critical dimensions with respect to RB (i.e., internal service quality, process excellence and external service quality) setting ownership status fixed-effects as well as examining each business group (i.e., privately-owned, state-controlled and foreign banks) separately.

Our findings show significant differences among these three groups of banks and ability for further customer and quality improvement initiatives. Especially, there is a clear difference between private and state-controlled banks. This leads us to a privately-oriented relationship banking in Greece.

Our results would be useful by satisfactorily justifying the considerable growth of the private banking sector in the Greek economy and by enriching significantly the service-profit chain of the specific industry. In all, state-controlled banks could be rendered much more updated, competitive and productive financial institutions under private ownership, which keeps up with our governments policy to gradually deregulate the Greek banking market**.**

In order to enhance the value of our findings, we propose a cross-country study including into the sample other open and developing economies, as well. Although the spread of RB is globally avouched, it would be extremely interesting to examine whether the most significant components of service-profit chain of our country are similar or not to the respective of other countries. Besides, an important matter would be to research whether the differences between the three groups concern the same or different components of the specific chain.

Appendix

We present the order of questions as they appear in questionnaire.

1. Your bank provides customers with products and services which aim at covering their needs. Do you believe that this is enough for the evolution of your institution? If not, what is consider as the issue that would result in competitive advantage for the enterprise (i.e. increase in customers' value, commitment and trust)?
2. How important are long-term relationships with customers? What does your bank attempt to reflect to customers (i.e. image)? How important do you believe is trust in the context of banking?
3. Relationship marketing:
    - Do you know the term relationship marketing?
    - Do you apply relationship marketing in your bank?
    - Do you believe that this kind of marketing can lead to higher level of customer loyalty? If yes, in which way? If not, why?
4. According to your opinion, which is the role of information technology in customer management?
5. Put in order the following taking into account the volume of transactions:
    - Telephone banking
    - Internet banking
    - PC banking
    - Traditional banking

6. Do you believe that the particular bank acts so as to set on employees' development? In which way? May we have some evidence on employees' age and education level? Is there any assistance (i.e. aid) in employees' further education?
7. Do you believe that relationships with employees (i.e. internal environment) are a direct determinant for relationships with customers?
8. How do the above affect your employees' development strategy (e.g. channel management and communication)? May you give us an example?
9. What do you do in order to achieve employees' satisfaction and in turn employees' profitability (e.g. bonus, vacations, awards, internal environment)?
10. How much and in which way does customer management affect your business strategy?
11. According to your opinion, what issues are vital in order to retain your customer base?
12. Please put the following term in order starting from the most valuable and ending to the less valuable for your institution.
    - Current customers profitability
    - Service quality
    - Customers' value
    - Creating bonds with customers
    - Pricing
13. According to your opinion, what makes your bank differ from competitors and what makes it viable in such a competitive environment?
14. Do you believe that specialized banking is better than universal banking? What for?

15. Where is there greater need for emphasis, in service quality or transaction cost? How do you ensure that your customers are satisfied?
16. Which is the market orientation of your bank?
17. Today, which is your customer base?
18. How do you conceptualize universal banking philosophy?

Thank you very much for your cooperation

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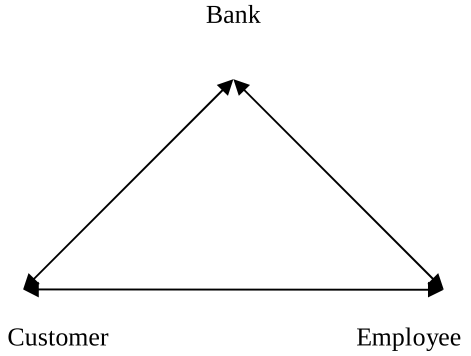
Figure 1: Triangular inter-relationship



Source: Bennett and Durkin (2002)

Figure 2: Service-profit chain of Heskett *et al.* (1994)

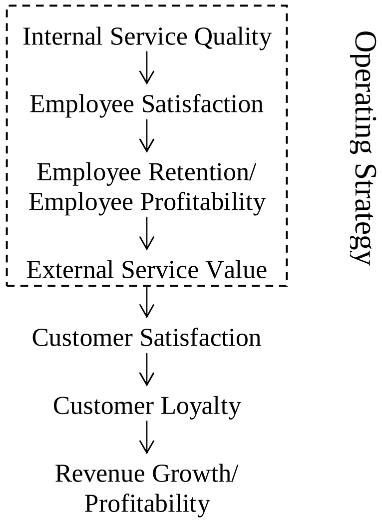


Figure 7: Service-profit chain of banking industry in Greece

Table 1: General characteristics of interviewees of banks

Sector	Private-owned Banks	State-controlled Banks	Foreign Banks	Total
# of organizations	8	4	8	20
# of questionnaires	66	84	60	210
Management	36	48	36	120
Marketing	18	18	12	48
IT	12	18	12	42

Table 2: Results of the ANOVA and *post hoc* test of Bonferroni to examine the significance difference between the three groups of banks

sn	Variables	ANOVA (F)	Bonferroni comparisons
1. *Internal service quality*:			
1	Bonus	103,69 **	POB-SCB*, POB-FB , SCB-FB*
2	Further education	0,95	POB-SCB , POB-FB , SCB-FB
3	Recreative exhibits	23,00 **	POB-SCB*, POB-FB , SCB-FB*
4	Seminars	33,89 **	POB-SCB , POB-FB*, SCB-FB*
5	Trust and commitment	57,42 **	POB-SCB*, POB-FB*, SCB-FB*
6	Training	33,89 **	POB-SCB , POB-FB*, SCB-FB*
2. *Process excellence*:			
1	Communication channels	62,10 **	POB-SCB*, POB-FB , SCB-FB*
2	Information technology	46,58 **	POB-SCB*, POB-FB , SCB-FB*
3	Branch network	22,43 **	POB-SCB*, POB-FB , SCB-FB*
4	Staff reduction	5,39 **	POB-SCB*, POB-FB , SCB-FB
5	Process management	55,36 **	POB-SCB*, POB-FB*, SCB-FB*
6	Total service quality	46,58 **	POB-SCB*, POB-FB , SCB-FB*
7	Staff stability	5,39 **	POB-SCB*, POB-FB , SCB-FB
3. *External service quality*:			
1	Customer profitability	54,11 **	POB-SCB*, POB-FB , SCB-FB*
2	Customer value	47,71 **	POB-SCB*, POB-FB*, SCB-FB*
3	Branding and corporate image	11,81 **	POB-SCB*, POB-FB , SCB-FB*
4	Pricing of delivered service	0,85	POB-SCB , POB-FB , SCB-FB
5	Bonds with customers	0,73	POB-SCB , POB-FB , SCB-FB
6	Updated service delivery system	61,82 **	POB-SCB*, POB-FB*, SCB-FB*
7	Innovative products	155,25 **	POB-SCB*, POB-FB , SCB-FB*
8	Internal service quality	57,42 **	POB-SCB*, POB-FB*, SCB-FB*

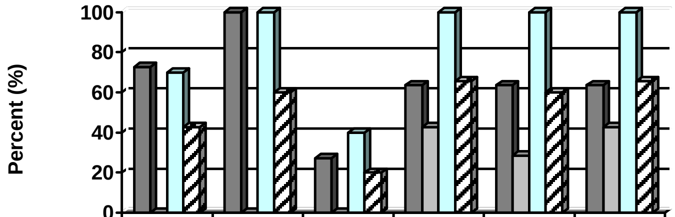
Notes: * significant at the 0.05 level; ** significant at the 0.01 level; POB: private-owned banks, SCB: state-controlled banks and FB: foreign banks

Table 3: RB indices for the three groups of banks

sn	**Dimension**[1]	**Private-owned Banks**	**State-controlled Banks**	**Foreign Banks**	**Total**
1	Internal service quality	0,77	0,56	0,79	0,69
2	Process excellence	0,69	0,54	0,73	0,64
3	External service quality	0,78	0,63	0,85	0,75

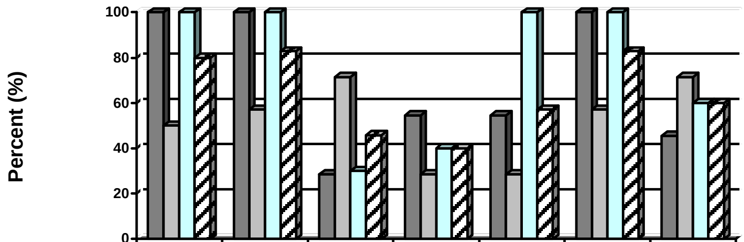
[1] Variables with respect to internal service quality are bonus, further education, recreative exhibits, seminars, trust in management and commitment to the organization, and training; variables with respect to process excellence are communication channels, information technology, branch network, staff reduction, process management, total service quality, and staff stability; variables with respect to external service quality are customer profitability, customer value, branding, pricing, bonds, updated service delivery system, innovative products, and internal service quality.

Figure 3: Variables that aim at internal service quality (% of respondents)



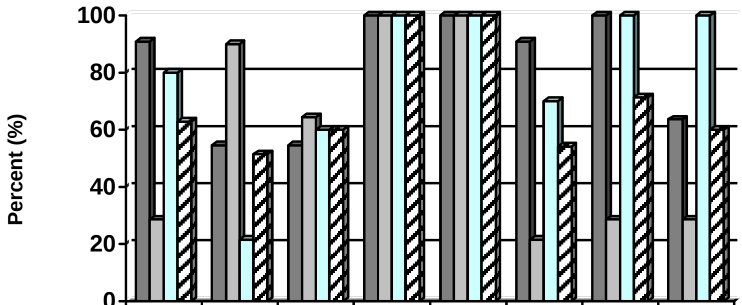
	BO	FE	RE	SEM	TC	TRA
Private-owned	72,72	100,00	27,27	63,63	63,63	63,63
State-controlled	0,00	0,00	0,00	42,85	28,57	42,85
Foreign	70,00	100,00	40,00	100,00	100,00	100,00
Total	42,86	60,00	20,00	65,71	60,00	65,71

Figure 4: Variables that aim at process excellence (% of respondents)



	CC	IT	BNET	SR	PM	TSQ	SS
Private-owned	100,00	100,00	28,57	54,54	54,54	100,00	45,45
State-controlled	50,00	57,14	71,43	28,57	28,57	57,14	71,43
Foreign	100,00	100,00	30,00	40,00	100,00	100,00	60,00
Total	80,00	82,86	45,71	40,00	57,14	82,86	60,00

Figure 5: Variables that aim at external service quality (% of respondents)



	CP	CV	BRA	PRI	BOND	USDS	IP	ISQ
Private-owned	90,90	54,54	54,54	100,00	100,00	90,90	100,00	63,63
State-controlled	28,57	90,00	64,29	100,00	100,00	21,49	28,57	28,57
Foreign	80,00	21,43	60,00	100,00	100,00	70,00	100,00	100,00
Total	62,85	51,43	60,00	100,00	100,00	54,14	71,42	60,00