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## Customer participation in personal financial business of chinese commercial banks and its influence factors

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### ABSTRACT

Personal financial services are the main source of bank profits. In the face of fierce competition in the global financial industry, the expansion of commercial bank's personal financial business has become an urgent problem to be solved. Customer participation has an important influence on the server results in the service industry. Banking industry belongs to service industry with customer-oriented, and customers participate in the co-creation of value. This article studied customer participation and its influence factors in personal financial business of commercial banks with personal financial services background. Customers will be affected by three sides: companies, service staff and customers themselves. Customer participation will affect customer perception of service quality and satisfaction with the service. Commercial banks have to make necessary training and education to customers in order to let their participation play an active role; set up good interactive relationship with customers by relations marketing activities; provide professional and personalized services.

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### KEYWORDS

Personal financial business;  
Commercial bank;  
Customer participation;  
Influence factors.

### INTRODUCTION

With the sustainable development of economy and deepening of financial reform, China's commercial banks were flourishing and institutions increased rapidly. And with constantly upgrade of marketization level, personal finance business has made rapid development and the market is pluralistic. For commercial bank, Personal financial services is an important source of income because of its advantages of lower default rates, less occupancy of capital, high yield etc.. Personal financial services belongs to retail operations and is the general term of financial products and services of commercial

banks provided to resident individuals or families. They can be divided into below different forms: Savings Service, Agent Service, Bank Card Business, Consumer Credit and Personal Financial Services.

Essentially, the product of personal financial business of commercial banks provided to individuals is one kind of service. Customer participation is an inherent part of service industry and is closely connected with service characteristics. Being different with tangible products, the service can not be owned and it only can be experienced, created and participated. Inseparability of service determines that its production process and customer consumption process is carried out simulta-

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neously. The customer must participate in the purchase.

### CUSTOMER PARTICIPATION IN COMMERCIAL BANKS' PERSONAL FINANCIAL BUSINESS

#### The concept of customer participation

Since the 1970s, many foreign scholars began to research the customer participation in service & marketing industry. The customer participation was explained from the behaviors and results perspectives. From behaviors perspective, it is considered to be a specific act of investing needed resources<sup>[1]</sup>. considered customer participation is customers' specific effort and inputs behaviors in the spiritual, physical, emotional, etc.<sup>[2]</sup> believed that customer participation is customers' specific behaviors of spiritual and material aspects which are related with the production and delivery of services, and it reflect the efforts and involvement degree of customers. Defined customer participation as source provided by customer or customer activities during service production and delivery. By results point of view, customer participation is considered to be customer's contribution for enterprises, including value creation and positive or negative impact on the quality of service<sup>[3]</sup>. believed that customer participation is one kind of service value created activity with the help of customer involvement during cooperation with service staff. Whether form the results point or behavior point, customer participation is related to customer's participation in service production and delivery. Customer participation in commercial banks' personal financial business is reflected in the production and delivery process of personal financial services provided by commercial bank to individuals or families.

#### Connotation of customer participation

Bettencourt<sup>[4]</sup> divided customer participation into loyalty, cooperation behavior and information sharing. Loyalty is the result of customer's satisfactory response to the services, carrying on the positive word of mouth publicity for the services provided by the enterprise; cooperation behavior refers to customers positive cooperation and service providers' smoothly service offering behavior; Information sharing is refers to the cus-

tomers actively communicating with the service providers<sup>[5]</sup>. said customer participation has three dimensions: information sharing, responsibility behavior and interpersonal behavior after they made empirical research on British banks and SMEs. According to their research, the article holds that the customer participation in personal financial business of commercial banks includes three connotations: information sharing, responsibility behavior and interpersonal interaction.

#### (1) Information sharing

Information sharing refers to the customer's information transmission to service staffs to ensure that their individual needs are met. Customers provide required personal information to service providers, or organize related information to offer constructive questions to service staffs on their own needs. Meanwhile, customers can also obtain demand-related information and service-related information in the service places, as well as exchange and share information, define the expectations and understand the possibility of demand satisfied. In commercial banks' personal financial business, customers actively and responsibly communicate with the banks. On the one hand, the customer will input the "information" resource to the bank and explicitly tell his information and demand for services (such as collating and providing related data about personal credit situation to the bank etc.). Customer is also serving as comment provider at the same time (e.g. customer complaints on banking services). On the other hand, customers obtain their required information form the bank.

#### (2) Responsibility behavior

Responsibility behavior means the duties of customers that they need fulfill in the service relationship, that is, customers need to personally participate in the completion of service as co-producers. One of the elements of customer participation is, in a given service, that customers has to perform and give input from the customer's own material or tangible physical aspects, which is not others can provide. Customers play the role of some staff, bear part of the responsibility in the service delivery, which is in favor of good service delivery, assisting banks to providing services.

#### (3) Interpersonal interaction

It refers to interactive behavior between customers

and other subjects who participate in, such as employees, the other customers. Interpersonal relationship includes variety of factors, like commitment, support, trust, etc., and interpersonal interaction is not only conducted with the service providers, but also includes interaction with other customers. Kellogg<sup>[6]</sup> through the “critical incident analysis raised “relationship building” dimension of customer participation that elements of customer participation includes to establish a good relationship with the service provider, such as a smile, friendly language, trying to establish the relationship between loyalty. As a co-producer of service products, customers actively participate in the service relationships; build a trust, reliable, support interaction network. In commercial banks’ personal banking business, interpersonal interaction mainly refers to interaction between customer and bank employees during the service production and delivery.

**INFLUENCE FACTORS OF CUSTOMER PARTICIPATION IN COMMERCIAL BANKS’ PERSONAL FINANCIAL BUSINESS**

Analysis in the existing literature on the influence factors of customer participation focused on companies and the customer’s own impact on customer participation. However, according to the triangular theory of marketing services, companies, customers and service providers are the three key players in services, and internal marketing, external marketing and interactive marketing influence mutually and tie together to constitute an organic whole. Clearly, in addition to compa-

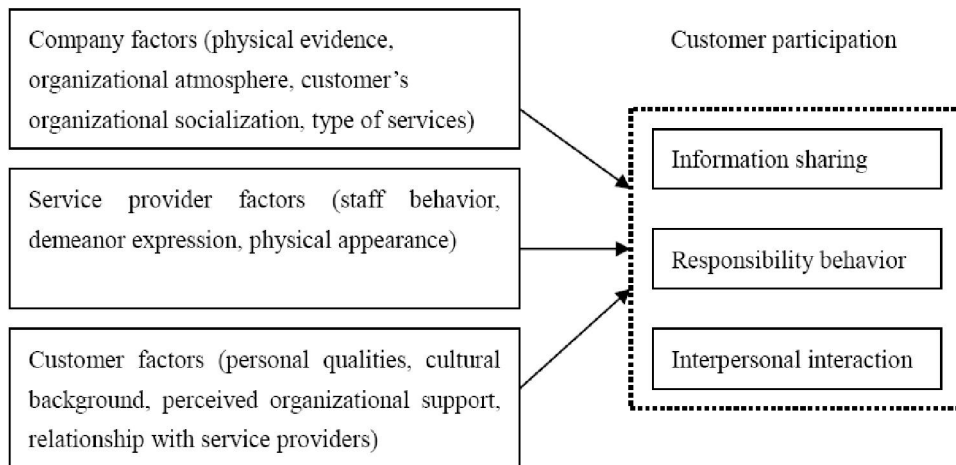
nies and customers, customer participation to the service is influenced by service providers. Company factors include physical evidence, organizational atmosphere, customer organizations socialization, type of services, etc.; service provider factors include staff behavior, demeanor expression, stature appearance, etc.; customer factors are personal qualities, cultural background, perceived organizational support, customers’ relationship with service providers, etc.

**The impact of company on customer participation**

Company is the carrier of the customer participation, and customer participation in the service production and delivery are occurring in companies, so the customer participation will be affected by companies.

**(1)Physical evidence**

Since services can not be perceived, customers are not able to see the service but the service facilities, information materials, etc. when they buy banking products. These tangible elements to perform services and communication services collectively are known as physical evidence. Physical evidence has a significant impact on the customer’s purchase decision. Physical evidence in banks provides good opportunity for banks to convey the information about the organization’s goals, the hopes to enter the market, as well as the nature of service and other aspects. Customers’ first impression of the banking services are constituted by the various elements of physical evidence. When the customers are lack of understanding of the services provided by the bank, they may make judgments according to the perceived of physical evidence. For example, when a cus-



**Figure 1 : Influence factors in personal financial business of commercial bank**

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customer enters a bank, he may determine the bank's services in accordance with the bank's cleanliness, quality of services and facilities, and then decide whether to handle the business in this bank.

### (2) Organizational atmosphere

Ennew et al.<sup>[5]</sup> believed that the level of customer participation can be affected by organizational atmosphere. Organizational atmosphere refers to customers' perception of the way that enterprises as a whole interact with them, which will affect that whether the customer is willing to participate in personal relationship with the representatives of the service companies. In the interaction between companies and customers, in general there have three kinds: one-way communication, part interaction and fully interaction. One-way communication is to sell products and services to customers without caring about their feedback. Part interaction pay attention to collecting customer feedback, and make appropriate improvements in accordance with the customers information for products and services. The interaction between customers and companies is not just a simple exchange of information, which allows companies and customers to establish a definite link, and thus achieve effective customer interaction. Generally, customers are only willing to work with companies with the best ability to interaction.

### (3) Customer's organizational socialization

Customer's organizational socialization refers to the process that customers accept and adapt to organizational values, norms, and required behavior patterns for that can provide specific behavior guidance for customers to participate in the production and delivery of services<sup>[3]</sup>. empirical results show that customer's organizational socialization has a significant positive impact on customer participation, the higher the degree of organizational socialization of customer, the more consumers can clearly understand the organization's values and expectations, and get needed knowledge and ability to interact with the staff and other customers, which is helpful to improve the customers' wishes to participate. In the service, customers often to actively participate in service value creation through their cooperation with staff. In this process, customers become the member of the organization, like staff; make contribute to the organization by transmission of information, energy

input and other forms.

### (4) Type of service

Personal financial businesses of commercial bank have a variety of ways. Commercial banks meet the financial needs of the residents not only through traditional counter service, but also the use of high-tech service mode such as telephone banking, online banking, and mobile banking and so on. Bateson<sup>[7]</sup> and Dabholkar<sup>[8]</sup> found that customer participation behavior in self-service is inherently attractive, but there are some customers who are not interested in self-service. Lovelock and Eighier (1981) found that time and the ability to control are the important factors affecting consumers' choice of self-service products, in addition, when customers' demand to interact with service staff is strong, it may reduce the willingness to participate in self-service.

### The impact of service staff on customer participation

Service staff is bound to encounter for customer who enter the companies. In the minds of customers, the service staff shows the service. Service staff plays an important role in the service value chain. They are the embodiment of service products, the transmitter of banking services, and their dress, appearance, attitude and behavior will affect customers' perception of banking services, directly impacting on customer participation. Service personnel include contactors, influencers, and improvers and isolators. Due to the occurrence of customer participation in service the production and delivery, employees directly contacting with customers have greatest impact on customer service perception, and their business skills and social skills determine the quality of service provided to the customer, so front-line employees in the service affect customer participation on the most significant.

### (1) Staff behavior

Social psychological factors influencing people's behavior include social perception, values and roles. Social perception refers to the reflection that the overall properties of objective stimulant both people and things in front in the human brain. People will have perception of external behavior of others, and through this perception, they understand others' motivations, feelings, in-

tentions and other internal mental activities, and produce their own behavioral responses, so people's behavior will affect each other. Interaction of service staff and customers face to face is a two-way process. In the interaction, if the service staff's attitude and service behavior is care, respect and courteous, then for the reasons of social interaction and exchange, the customer who feel these behaviors will exhibit willingness to return and will be better to participate in the service process. Customers who participate in service are bound to have an impact on the process and results of service.

Employee behavior can be divided into role behavior and extra-role behavior. Role behavior is the behavior must be done and be asked to do to complete the work. In the interaction between the customers and service staff, the service staff through their own behavior to make customers have good service quality perception. Extra-role behavior refers to organizational citizenship behavior, which is individual voluntary act with not directly or explicitly recognized by the formal reward system, but these behaviors actively promote the effective functioning of the organization. Role behavior have reliability behavior, reactive behavior and empathy sexual behavior and extra-role behavior include helping customers, organizational involvement and sportsmanship, and it is found in empirical research about retail banking that role behavior and extra-role behavior of employees have a significant positive effect on customer participation<sup>[12]</sup>.

### **(2) Demeanor expression**

Demeanor expression has an important influence on goodwill for service interaction, intimacy and trust formation. People exhibit mild expression, appropriate eye contact, decent gesture in the process of social interaction will increase each other's sense of trust and intimacy, and smile and demeanor of listening carefully will make them feel valued and cared. In the interpersonal communication, listeners will determine that whether others' emotional states are credible by using the other auxiliary language (tone, speed, rhythm, etc.) as main clues. Staff's inappropriate language will make customers feel the distance, but mild expression will induce customers with positive emotional response, and thus show a longer stay and more involvement in services. Demeanor expression of service staff reflect their

attitude, and customers can realize employees' welcome and care by their expressions and demeanor and get clue to determine that whether they are reliable or not from their expression in one's eyes and demeanor.

### **(3) Physical appearance**

Physical appearance is mainly composed of physical characteristics, clothing and other factors, which will affect effectiveness of persuasion and changes in other person's attitude. Studies have shown that customers' perception of closeness and affection and their psychological state in the service encounters will be affected by employees' physical appearance. Physical characteristics as a non-verbal communication signals may affect the customer's emotional response, and dignified, neat and attractive physical appearance (clothing) is easier to bring goodwill to each other, and easier access to each other's trust.

### **The impact of customer on customer participation**

Personal financial business objects of commercial banks are extensive with different groups, both people who can only accept the traditional bank counter service, and people who be able to accept telephone banking, internet banking and other new way of banking. Customers themselves can affect the provision of services, thus affect service quality and customer satisfaction. Customer factors mainly include: cultural background, personal characteristics like involvement, perceived risk and perceived control, customers' relationship with service providers.

#### **(1) Personal characteristics**

Customers have different levels of participation, which is mainly related to its individual characteristics. Individual characteristics mainly have perceived risk, perceived control and involvement.

Lloyd<sup>[8]</sup> concluded from empirical analysis that the perceived risk has a significant impact on customer participation. The higher the perceived risk is, the higher the level of customer participation. Perception of risk is the uncertainty and the possibility of adverse consequences when consumers purchase products or services. The higher level of customers' input into service can increase their anxiety or reduce their confidence, and no matter what the result, it will increase perceived risk. So, to reduce the degree of negative outcomes

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and increase opportunities for positive results, customers will more involve in the service process.

Perceived control refers to customers' perception of the control that generated by service process and service output. It can bring psychological gains for customers. Lloyd<sup>[8]</sup> pointed out that control is an important factor in the impact of customer participation, if a person can effectively control the process or the result, their participation in the initiative will greatly improve. Perceived behavioral control can be used to explain the behavior intention. Perceived control can be divided into internal control and external control, which affect whether or not the customer is willing to participate. When a person perceives that he can control personal resources effectively, there exist internal controls, such as technology required, self-confidence, the ability to complete behavior (Kidwell, 2003), that is, the more obvious the customer's internal control, the more willing to participate in this relationship.

The higher the level of involvement is, the higher the level of customer participation. Involvement is a state or attitude, but participation is the actual behavior involvement, so participation reflects the condition of involvement. Perceived importance of the product is antecedents of customer involvement, and the more important the product for the customer, the more obvious customer behavior to participate will be. In the service companies, due to the nature of services (intangibility, difference, perishability, simultaneity of producing and consuming), psychological involvement will inspire behavior involvement. When levels of customer involvement is higher, customers will collect information in advance to form purchasing knowledge and, they will actively communicate with service staff and assist them in order to promote the success of the service. Visibly, the more attention customers pay to personal financial business offered by banks, the more they will communicate with staff and to maintain good relationships.

### (2) Cultural factor

Commercial banks are widely dispersed in personal financial services to individuals and families for their clients with scattered customers, the large number of complex personality. Different customers have different cultural backgrounds and values. Customers' participation in the production and delivery of services is a way

of behavior<sup>[8]</sup>. In this sense, culture and values have a direct impact on customers' behavior and participation in the activities. The process of service delivery is the process of interaction of customers and employees. And with respect to general goods, an important feature of the service is the intangible nature. These characteristics of the service determine that the services affected by culture more significant. In addition, personal values are considered to be the most important factors affecting consumer preferences and behavior, and therefore it also affect the behavior of customer participation.

### (3) Perceived organizational support

Customer perceived organizational support refers to customers care about that whether organizations value their input and be concerned about their presence. Customers are willing to actively participate in the development and management of companies, in part because they believe their dedication and contributions are considered important and valuable by companies (Hirschman, 1970). For example, customers are not satisfied with the service experience and complain to enterprises, because they think that their complaints will be respected by companies and bring changes in business operations. Therefore, customer perceived organizational support has a direct positive relationship to customer participation<sup>[4]</sup>.

### (4) Relationship with service providers

Although the purpose of banks' interaction in services primarily is to maintain the relationship, and usually have clear procedures to regulate the production and consumption behavior and low requirements for customer participation<sup>[10]</sup>. Customers' relationships with staff affect customers' reviews to enterprise and their corresponding response. Good relationship helps to increase customers' purchase intention and willingness to recommend, resulting in customer satisfaction, commitment and trust. Gemark et al.<sup>[2]</sup> found from empirical research that the length of the relationship between customers and service providers will affect customer participation, and the level of customer participation in a new relationship is higher than that in continuing relationship. Therefore, the relationship between the customer and service employees will also affect customer participation.

## SUGGESTION TO PROMOTE CUSTOMER PARTICIPATION IN COMMERCIAL BANKS' PERSONAL FINANCIAL BUSINESS

Competition in commercial banks' personal financial business is mainly embodied in the comprehensive competition for customers. Whether banks have customers or not depends on the relationship between banks and customers, which determines customer's trust in banks, and the degree of trust in their banks depends on the level of satisfaction that they experience in service provided by banks. The process customers consuming banking products and services is the process that customers participating in banking services. Customer participation will not only affect productivity and service results, but also affect the perceived service quality and customer satisfaction. In the recognition of the influence factors of customer participation circumstances, banks should promote customer participation play an active role in the production and delivery of services.

### (1) Train and educate customers

When customers participate in the service, service companies need to train and educate customers. Education and training is intended to provide customers with the necessary skills and be able to correctly recognize how to act in the service process to effectively perform their roles. This is because customers who do not understand the system or service delivery process may slow service process; and if customers can not effectively perform their role, employees will not be able to provide technical and functional quality which organization committed; in addition, if customers suffer setbacks due to their improper, employees may have emotional distress and may not go to high-quality service delivery.

### (2) Make full use of relationship marketing

Relationship marketing is called the arts to create a closer working and interdependence relationship between the two sides by Philip Kotler. In the course of the service, banks should continue to care about customers and provide customers with quality service, of course, which also includes emotional services, in order to establish a harmonious relationship with custom-

ers. In relationship marketing, it is that to be remembered increasing both banks' and customers' interest through cooperation, rather than increasing the interest of other parties by damage to the benefit of either. Meanwhile, relationship marketing is not only to achieve mutual material benefits, but also must allow participants to gain emotional needs met from the relationship.

### (3) Standardize the services

Service staff, especially front-line employees directly contacting with the customer, can affect customer participation, thereby increasing service level of service staff is crucial for the development of the commercial banks' personal financial business. For most personal finance customers, providing standardized services can both shape banks' brand image and rapidly improve the quality of service. Bank to develop service standards can regulate the behavior of service staff to improve service quality. The stricter the standard provided by banks, the more the banks can improve service levels.

### (4) Personalize service

Not all customers are able to close and be met by banks, banks should aim at the first to customers who can be provided services and met their needs, even if they have not been aware of the needs themselves. At the same time, conduct effective management of customer participation and realize individual differences in behavior of customer participation, that is, customers' willingness to participate will be different, to make market segmentation and design services delivery system to better meet their needs. Bank sales staff should communicate with customers face to face. Only by communication, they can understand customers' habits, consumption concept, hobbies, etc. clearly to provide customers with efficient and personalized service. For the different financial needs of customers, combined with their contribution to the bank's profits, provide them differentiated services.

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