European corporate customers' choice of domestic cash management banks

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Provides evidence of the criteria for the choice of domestic cash management banks adopted by large European firms. A questionnaire completed by 1,129 corporate customers from 20 European countries indicates that service quality is the most important criterion for choice of domestic cash management banking, followed by pricing and relationship. Using the empirical findings, discusses the appropriateness of relationship-oriented and transaction-oriented bank strategies across Europe. Based on the customers' ranking of choice criteria, finds no evidence of widespread successful implementation of relationship banking in Europe.

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Introduction

At present most European banks can be considered domestic banks, i.e. operating in one country only. However, for a number of banks this is changing. The integration of Europe makes the borders less important, and both firms and consumers are becoming more internationally oriented. Further, the European banking sector is becoming more concentrated. Banks are expanding through mergers and acquisitions, and they are establishing branches throughout Europe. The result is that the banks need to consider not only their home country as a market but the whole of Europe as the potential market.

For banks planning to expand across borders, or which are already present in several European countries, an important question arises: are the European corporate customers all alike or do they differ from country to country? It is crucial to know which criteria are important to the corporate customers to be able to focus the marketing strategy on the appropriate customers, and for the banks operating in several European countries it is just as important to know whether the corporate customers have the same needs and wants in all countries and thus whether the chosen marketing strategy is applicable in all countries.

This paper explores corporate customers' criteria for choice of cash management banks and aims at answering the basic question: what are the appropriate marketing strategies for banks offering cash management services to the largest European firms? The paper is based on a survey among the largest firms in 20 European countries in 1996. Summary data from the study have been published by Middleton and de Caux (1997).

Customers' criteria for choice of bank

Customers' criteria for choice of products and firms can be discussed from different perspectives (cf. Kotler, 1997). The classical starting point is the marketing mix approach, popularized in McCarthy's (1960) four Ps: place, price, product and promotion. However, the marketing mix does not represent the customers' expression of their preferences and trade-offs, but they are so closely related that it can be argued that the corporate customers are able to express their needs and costs in terms of the marketing mix. Alternatively dyadic theories (e.g. Bagozzi, 1975; Hakansson and Ostberg, 1975) and the IMP-group's interaction model (Hakansson, 1982) focus on the relationship between buyer and seller at the business-to-business market.

A number of studies (e.g. Boyd *et al.*, 1994; Kennington *et al.*, 1996; Khazeh and Decker, 1992; Turnbull, 1982a; Zineldin, 1995; 1996) have in various settings surveyed commercial and retail customers' criteria for selection of bank. While none of these articles focuses on cash management services in particular, the criteria found important in these studies could, however, serve as a starting point for a study of customers' criteria for choice of cash management banks. As stated recently by Kennington *et al.* (1996), the reasons for the choice of bank appear to be universal: price, reputation, convenience and service; although the specific interpretation of these factors differ between the studies.

Bank strategies

In the banking sector the discussion of customers' criteria for choice of bank is very much related to the issue of implementing relationship banking (Berry, 1979). A number of authors have advocated relationship banking as a successful strategy in commercial banking (Berry and Thompson, 1982; Moriarty *et al.*, 1983; Perrien *et al.*, 1992; 1993; Turnbull and Gibbs, 1987) as well as in retail banking (Berry, 1979, Berry and Thompson, 1982). See also Holland (1992), Holland *et al.* (1994), Keltner (1995) and Zineldin (1995). It

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should be noted that these authors deal with banking in general and not specifically cash management services as in this article.

Following the IMP-studies (see Hakansson, 1982) the distinction between discrete transactions and collaborative relationships has been used to formulate marketing strategies (e.g. Grönross, 1990; Keltner, 1995; Keltner and Finegold, 1996; see also Zineldin, 1996). Focusing on corporate banking relationships, Moriarty *et al.* (1983) argued that whether customers are transaction-oriented, i.e. emphasizing price and quality, or relationship-oriented emphasizing long-term, trusting win-win relationships has implications for a bank's strategic product decisions.

However, in the context of banking the issue of relationship has been disputed, as pointed out by Day (1985; see also Perrien *et al.*, 1993). The bankers themselves have been quick to argue that they strive for a unique relationship with every customer often expressing their wishes with respect to cross-selling and share-of-business, while the customers have focused more on factors such as continuity and certainty of supply, lending in difficult circumstances etc. (cf. Moir, 1988).

Relationship-oriented strategies

Moriarty *et al.* (1983, p. 4) describes relationship banking as "a recognition that the bank can increase its earnings by maximizing the profitability of the total customer relationship over time, rather than by seeking to extract the most profit from any individual product or transaction". Key elements in a relationship-oriented strategy are cross-selling to the corporate customers on a recurring basis, interdependence between the bank and its customers, and relationships based on "mutual trust and openness, shared objectives, and a commitment to doing business with each other on a long-term basis" (Moriarty *et al.*, 1983, p. 4). These relationships are often characterized by a complex pattern of interaction between the members of the two organizations and bonds of different types and strengths, i.e. economic, informational, organizational knowledge, technical and social bonds (e.g. Proenca and Castro, 1995; Thunman, 1992). The advantages of emphasizing relationships are that through routinization, uncertainty is reduced and costs are lowered, and through an open exchange of information joint problem solving is facilitated.

A relationship-oriented strategy is, however, a resource demanding strategy that requires the patience to establish and build the trust and closeness needed. Further, not all customers are likely to favour relationship banking. Customers using pricing as the main criterion in the selection of banks and customers who do not value relationships at all are likely to be disloyal and willing to exploit temporary conditions giving an advantage. The customers desirable for a relationship-oriented strategy are those who value relationship banking and consider the long-term perspectives of the relationship instead of the temporary gains from transacting. Having established a relationship with these firms they are likely to be less price sensitive (Thunman, 1992) and thus constitute a stable customer segment difficult for competitors to capture (Grönross, 1990, p. 148).

Transaction-oriented strategies

Basically, a transaction-oriented strategy regards each transaction as independent and perceives the customer as reacting to stimuli such as price and quality of the offering. The strategy does not value long-term relationships in themselves, but rather regards them as a manifestation of a bank's ability to continuously offer better quality products or services at lower costs than competing banks. Thus, customers matching a transaction-oriented strategy are price/quality sensitive and non-loyal (e.g. Moriarty *et al.*, 1983). They do business with the bank which at present offers the best product in cost-quality terms.

Transaction-oriented strategies offer a number of advantages. If a major share of the customers emphasizes price and quality as the most important criteria in selecting cash management banks, and if the bank is in a position where it is able to offer its customers quality products at low cost, it will gain a large market share. The strategy is not vulnerable with respect to customers with a short memory, and on a short-term basis it is easy to use price as the primary marketing tool. However, it is not a strategy that generates loyal customers, and therefore transaction-oriented banks are vulnerable to competing banks.

Methodology

As part of a comprehensive questionnaire dealing primarily with issues related to technical aspects of cash management systems, commercial customers' criteria for allocating business between their existing banks were surveyed in 1996. Summary data as well as supplementary details regarding cash management organization and structure, the methods used for payments, collections and liquidity management, and the specific character of the domestic and pan-European cash management practices in large European firms are reported by Middleton and de Caux (1997).

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The questionnaire was designed and tested on the basis of previous experience with a similar study in 1994 (Middleton and de Caux, 1995) as well as on information available from a pilot questionnaire and from interviews with bankers and corporate treasurers. Also the final questionnaire and the results have been discussed with respondents. It was sent to 5,783 firms representing the largest firms, measured by sales for non-financial companies and assets for non-bank financial companies, in 20 European countries. A total of 1,129 partially or fully completed questionnaires, corresponding to a 19.5 per cent response rate, were returned, and the response rates differed from country to country. This indicates that non-response bias might be a problem. The distribution of respondents by annual worldwide sales is shown in Table I.

In each country the survey was undertaken by a local business school or university[1] to facilitate the access to the firms in their countries. The questionnaire was under cover of a personal letter from the appropriate school addressed to the most appropriate person identified in the firm. In some of the countries the questionnaire was translated into the respective languages, but the questions were the same in every country. Sending out the questionnaire to the recipients was followed up with a telephone chase for its completion and return.

The question, shown in Figure 1, was asked regarding the choice of domestic cash management banks.

The question forces the respondents to rank their criteria. However, this might misrepresent the true weight assigned to the criteria, since a number of criteria might be equally important or unimportant. The advantage is that the respondents have to consider all possible criteria instead of answering that all prespecified criteria are highly important.

Table I
Size of companies in the survey: annual world-wide sales of company group in million US$

World-wide sales	Frequency	Percent
Less than 100	116	12.1
101 to 500	144	15.0
501 to 1,000	109	11.4
1,001 to 2,000	130	13.6
2,001 to 5,000	162	16.9
5,001 to 10,000	101	10.5
over 10,000	196	20.5
Total	958	100.0

Note:
Frequency missing = 171

The responses to the question in Figure 1 are consistent with results from the study conducted in 1994, where service quality, pricing and relationship were the first, second and third most important reason for allocating business between domestic cash management banks (Middleton and de Caux, 1995). This can be taken as an indication of reliability. A weak indication of an acceptable validity is that no particular problems emerged during the testing and use of the questionnaire.

Results and discussion

Table II reports the ranking of criteria by the respondents. All codings were done strictly in accordance with the answers provided by the respondents, which explains the larger number of first ranks than fifth ranks.

Relationship

The ranking of relationship is the direct measure of the value attributed to the idea of relationship marketing, and it is ranked most important by 23.2 per cent of the respondents, only surpassed by service quality and pricing. As this survey involves the largest firms in Europe, the respondents probably account for a disproportionately large share of the banks' sales of specific products. Therefore continuity and stability in the relationships are wanted by the banks. Of the customers, 81.2 per cent rank relationship among the five most important criteria indicating that to some degree the majority of customers share these wants. This provides a first indication that a relationship-oriented strategy will be viable for several cash management banks operating in Europe.

Pricing

Pricing is directly related to the other elements in the marketing mix and is especially important when products are highly comparable. The survey showed that on average, the price was the second most important criterion used by the European corporate customers in their choice of domestic cash management bank.

It is noteworthy that price is a relatively important criterion for the customers, considering the emphasis that has been placed on relationship banking (e.g. Grönross, 1990) together with earlier studies indicating that price is not as important as reliability, prompt decisions, willingness to lend, simplicity of loan agreements and reputation (Turnbull, 1982b, p. 118). Moriarty *et al.* (1983) suggested that such a finding may be due to fierce competition between the banks, large and financially strong firms with a low need for credit, a preference for performing functions internally and a high turnover of financial officers. In addition, Turnbull (1982b) indicated that the importance of pricing increases as services become more expensive (see also Biong *et al*., 1996; Perrien *et al*., 1993).

Service quality

Following Lewis and Booms (1983) service quality can be defined as "a measure of how well the service level delivered matches customer expectations". Considering the correlation between price and quality, and the multi-dimensionality of the theoretical construct "service quality" (cf. Zeithaml *et al*., 1988), it is not surprising that service quality should come out as the most important criterion. In this respect, the results are in accordance with Turnbull (1982a), who reported that reliability, prompt decisions and willingness to lend are the three most important criteria used by medium- and large-sized UK firms for evaluating banks.

Figure 1
The question asked regarding the choice of domestic cash management bank

From the following list, please rank the TOP 5 criteria that you use in allocating business between your existing banks (1 = most important criteria down to 5 = 5th most important)

( ) Relationship
( ) Pricing
( ) Service quality
( ) Bank ratings
( ) Technology
( ) Domestic branch network
( ) Reputation for cash management
( ) Level of commitment to your business
( ) To compensate for other services (e.g. provision of credit)
( ) Other (please state) ________

Table II
Criteria for choice of domestic cash management banks

Rank	1 (%)	2 (%)	3 (%)	4 (%)	5 (%)	Not ranked (%)
Relationship	23.2	14.3	17.5	15.6	10.6	18.8
Pricing	29.8	26.2	17.2	10.5	4.5	11.9
Service quality	31.7	26.5	16.1	9.2	5.9	10.5
Bank ratings	7.9	6.8	6.0	8.1	14.8	56.3
Technology	3.7	6.9	15.2	15.2	15.8	43.1
Domestic branch network	6.7	8.9	9.1	9.4	9.0	56.8
Reputation for cash management	3.8	5.5	7.5	5.9	4.7	72.5
Level of commitment to your business	11.3	9.8	9.7	12.3	11.2	45.9
To compensate for other services	5.5	6.9	5.7	8.8	6.6	66.6
Total frequency	1,396	1,263	1,175	1,071	938	4,338

Notes:
1 = most important criteria down to 5 = 5th most important.
Number of observations = 1,129

The results are also in accordance with a study of 30 British firms' use of foreign banks by Turnbull (1982a), who found that quality of services was the most important selection criterion. This indicates that banks that do not offer a minimum of acceptable service will not be able to compete as low cost producers, and a close relationship with the customers will not continue since customer satisfaction drives loyalty (cf. Jones and Sasser, 1995) and customer satisfaction is related to quality issues.

Bank ratings

Bank ratings, i.e. credit ratings, can be regarded as explicit measures of reputations or as measures of the risk connected with using a bank. This is probably only an important criterion if the corporate customers fear that their bank will fail (cf. Barron, 1992; Ross, 1989). The survey shows that bank ratings are approximately the sixth most important criterion. This indicates that most banks used for domestic cash management in Europe are regarded as financially sound.

Technology

Moriarty *et al*. (1983) argued that complex cash management systems linked by electronic means of communication make it an advantage to only have a few banks carrying out these activities for the firm. Technologies could be specific either to the relationship, i.e. when the bank and the customer both invest in relationship specific assets, or a technology could be part of the bank's marketing mix, i.e. when the bank offers valued products that are not readily available from other sources. The low rank attributed to technology as a criterion for choice of cash management banks indicates that no bank has been able to develop a significant technology-based advantage. Rather it is a sign of the application of standard systems or standard functionality for cash management.

Domestic branch network

In traditional distribution literature (cf. Stern *et al*., 1996) branch networks are related to factors such as delivery time, transaction amount, and market decentralization and thus influence the service level. However, with the emergence of effective global information systems, delivery time, transaction amount and market decentralization become increasingly independent of the number of branches a bank has established. For an example of a computerized cash management system, see Holland *et al*. (1994). Thus, as the technology progresses and the customers become used to long-distance relationships, the size of the domestic branch network becomes unimportant, and therefore it is not surprising that domestic branch network is the least important of the nine criteria.

The domestic branch network was ranked most important by only 7 per cent of the respondents and was not ranked at all by 57 per cent of the respondents. This indicated that only a small percentage of customers choose domestic cash management banks because of their local branch network. Hence, banks specializing in cash management services need not establish a branch network and accordingly need not rely on cross-selling of products in order to finance branches. This facilitates the entry of cash management banks into new geographical areas.

Reputation for cash management

Reputation is an important intangible asset possessed by banks. Often reputation is cited as a reason for a bank to expand across national borders (cf. Heffernan, 1996) exploiting expertise in cash management and various other banking services. Further, reputation can be seen as a method of dealing with quality issues for example, where it is difficult for customers to obtain independent information. Turnbull (1982b) found evidence that reputation was more important than price as a criterion for evaluating banks, and Granovetter (1985) argued that buyers prefer to do business with sellers with a good reputation, but most preferred, though, is the buyers' own experience with the sellers. Thus a good reputation for cash management is likely to be very important for those customers which have no or only limited own experience with the different cash management banks.

The firms surveyed are large and can therefore be expected to have long experience with their existing cash management banks. This might explain why the reputation for cash management is one of the least important choice criteria. Alternatively, insignificant differences in the reputation of several banks might have induced the respondents to rank it low.

Another interpretation of reputation could be as an indicator of positioning (cf. Kennington *et al.*, 1996; Khazeh and Decker, 1992). Ranking reputation as one of the least important criteria could indicate that none of the banks offering domestic cash management services in the European countries was regarded as having a specific positioning with respect to cash management.

Level of commitment to a company's business

A bank's level of commitment to a company's business can be viewed as the customer's security that the bank will try to deliver the best customized products not only now but also in the future (cf. Moir, 1988). This is important when the investments made by the buyers in the cash management system in terms of hardware, software, time etc. are relationship specific, i.e. without value or with significantly lower value when the relationship is terminated. In such cases, a high level of commitment to the company's business is a safeguard that the bank seeks to provide an ongoing stream of suitable services. Further, banks pursuing a relationship-oriented strategy can be expected to show a high level of commitment to the company's business. This makes a high ranking of commitment an indication that banks are actually pursuing a relationship-oriented strategy. For a discussion of commitment see, e.g. Wilson and Mummalaneni (1986) and more specific for the banking sector Day (1985). The survey showed that, on average, the level of commitment to the customers' business is the fourth most important criterion for choice of cash management banks.

To compensate for other services

The last criterion was whether a firm's cash management bank was chosen in order to compensate for other services from that bank, e.g. provision of credit. This criterion can be regarded as an indication of success in implementing a relationship-oriented strategy, since selling cash management products, as suggested by Perrien *et al.* (1992), is often the outcome of cross-selling.

The survey showed that a few firms used this as an important criterion. This could indicate that some firms regard domestic cash management as less important than other bank services. However, it could also be taken as a manifestation of the banks' limited success with implementing relationship banking.

National differences

Based on the aggregate data for Europe, a number of alternative interpretations are possible. In order to obtain a more detailed understanding of the choice criteria and draw implications for marketing strategies across Europe, the national average rankings were examined[2]. To assure comparability, questions that were not answered strictly in accordance with the directions in the questionnaire were deleted. This reduced the number of usable questionnaires from 1,129 to 706 (cf. Tables II and III).

With the exception of Hungary, service quality is either the first or second most important criterion in every country when choosing a

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Table III
Criteria for choice of domestic cash management banks by country

		Criteria for choice of domestic cash management banks								
N	**Country**	**Relation-ship**	**Pricing**	**Service quality**	**Bank ratings**	**Tech-nology**	**Domestic branch network**	**Reput-ation in c.m**	**Level of commit-ment**	**As compen-sation**
19	Austria	3.9	1.7	3.2	5.7	4.8	5.0	5.6	3.8	5.2
68	Belgium	3.3	2.4	2.6	4.7	4.8	5.3	5.7	4.8	5.5
45	Czech Republic	2.3	4.2	2.0	4.3	5.4	4.8	5.6	5.3	5.1
28	Denmark	3.6	2.0	2.5	4.6	4.6	5.6	5.9	4.6	5.5
62	Finland	2.6	2.8	2.6	5.8	4.7	5.0	5.6	4.6	5.4
14	France	3.0	2.5	2.0	4.7	5.0	5.5	5.8	5.3	5.2
40	Germany	4.4	2.2	2.7	5.7	4.3	5.2	5.1	4.3	5.1
22	Greece	3.1	2.6	2.4	5.5	4.7	4.6	5.8	4.9	5.4
20	Hungary	4.2	3.0	5.4	1.8	5.3	5.0	5.7	5.0	3.8
63	Ireland	3.0	2.7	2.7	4.8	4.8	5.3	5.7	4.4	5.7
34	Italy	4.6	2.9	2.1	4.9	5.0	4.2	5.8	4.3	5.1
2	Luxembourg	2.5	4.0	3.0	3.5	5.5	6.0	6.0	4.0	4.5
27	The Netherlands	3.1	2.1	2.4	4.9	5.0	5.6	5.7	4.9	5.4
28	Norway	3.1	2.1	3.1	5.2	3.8	5.4	5.6	4.9	5.9
7	Poland	4.7	4.3	1.6	3.3	5.3	4.4	5.4	4.9	5.1
22	Portugal	3.4	2.0	2.3	5.1	4.4	5.4	5.9	4.9	5.6
41	Spain	4.2	2.6	2.5	5.5	4.8	4.5	6.0	4.3	4.8
33	Sweden	3.6	2.4	2.2	5.3	4.5	5.3	5.8	4.5	5.3
16	Switzerland	3.6	1.9	1.8	5.4	4.9	4.9	6.0	4.7	5.7
115	UK	2.6	2.5	2.5	5.2	4.9	5.2	5.6	4.8	5.7
706	Total Europe	3.3	2.6	2.6	5.0	4.8	5.1	5.7	4.7	5.4

Note:
N = number of observations. The rest of the numbers are the average ranking of criteria for choice of domestic cash management within specific countries. Non-ranking was coded 6.0, and therefore the scales goes from 1.0 = most important criteria down to 6.0 = least important

domestic cash management bank. Only a few regional differences are noteworthy. In Switzerland (1.8) and in Poland (1.6) service quality seems to be especially important to the corporate customers, while it is less important in Austria (3.2) and Hungary (5.4). Major differences in service quality are likely to draw attention to this topic, especially if a number of banks offer unacceptably low service quality. This might also be the result if the banks are heavily emphasizing service quality in their promotion. Where service quality is rated less important this might be because all banks offer the same service quality.

On average pricing is rated as a very important criterion in a coherent area covering most of the Benelux region, West Scandinavia, Austria, Germany, and Switzerland (see Figure 2). This indicates that some price competition is taking place and that several banks are offering cash management services of an acceptable quality. Pricing is less important in the Eastern European countries, which indicates that only few banks offer cash management services of an acceptable quality, and that their customers regard cash management services as less important. This is supported by the result that in the three Eastern European countries cash management services are more important as compensation for other services than in most other European countries surveyed.

Relationship is an important criterion in the Czech Republic, Finland, and the UK and of minor importance in Germany, Hungary, Italy, Poland and Spain (see Figure 3). Our study provided no obvious explanation for this result.

In nearly all countries, the banks' domestic branch network is relatively unimportant. Yet, in countries like Denmark (5.6), Luxembourg (6.0) and The Netherlands (5.6) the domestic branch network is less important than in countries like Italy (4.2), Spain (4.5) and Poland (4.4). A possible reason for this could be the relative size of the countries. The first three countries are relatively small, measured by square miles, while the last three are among the largest countries in Europe. No matter the location in the small countries, it is always a relatively short way, both measured in distance and time, to a centrally-situated bank, and therefore there is less need for a dense branch network. In the larger countries

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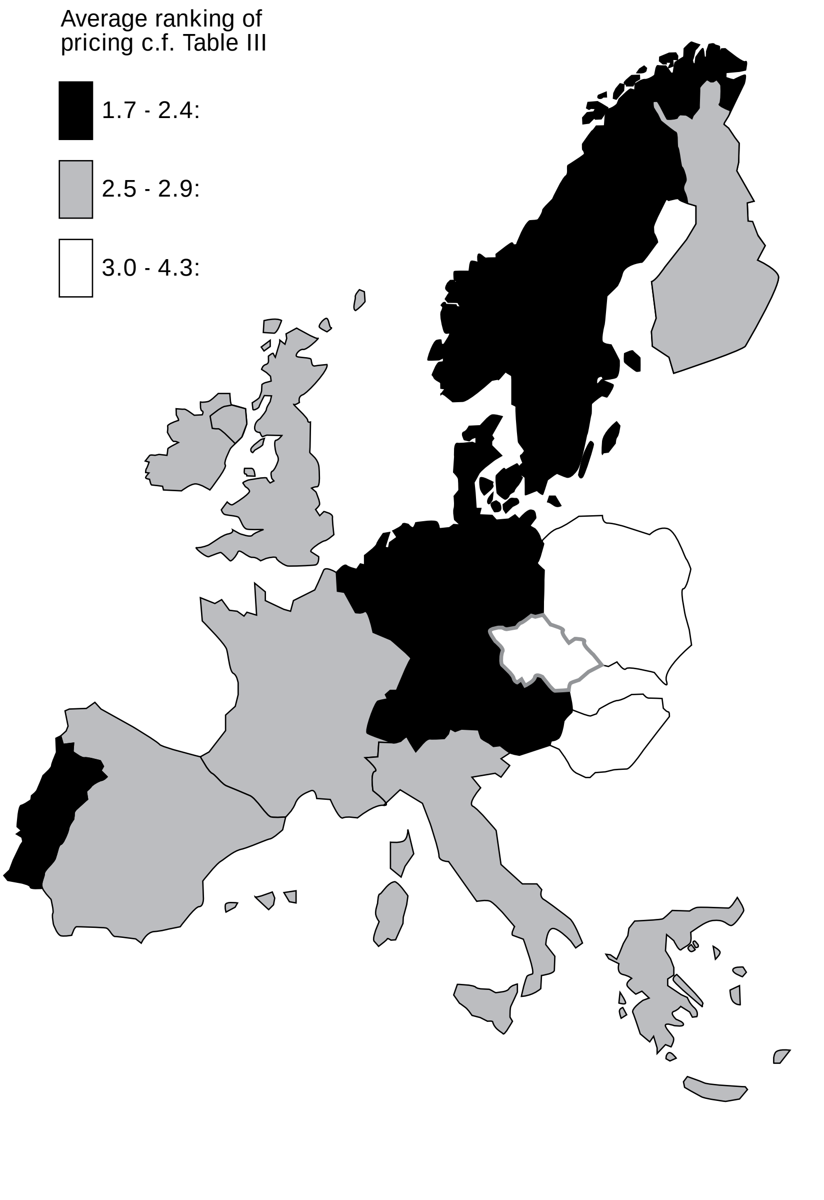
it is not necessarily so. Moreover, if personal contact between the bank and its corporate customers matters, the branch network will be more important in the larger countries than in the smaller ones.

The results for Eastern Europe are somewhat different from the rest of Europe. In Hungary service quality was rated among the least important criteria (5.4), while bank ratings were the most important criterion (1.8). Also in Poland (3.3) and in the Czech Republic (4.3), bank ratings were ranked more important than in the other European countries, which indicates a lower confidence in the banking system in these Eastern European countries.

Countries with very large firms such as Germany, France, and the UK do not seem to systematically place any different weights on the criteria used for choice of cash management banks than countries with firms of smaller average size such as Denmark, and Finland[3]. A high degree of similarity is also recorded for criteria like "technology", "level of commitment to your business" and "reputation in cash management", which is ranked low in all countries, e.g. from 5.1 in Germany to 6.0 in Spain for "reputation in cash management". Overall, the results in Table III are perhaps most remarkable because of the high degree of similarity between the 20 different countries. Hence, the results are rather a manifestation of similarity and homogeneity than of diversity and heterogeneity.

Figure 2
Average ranking of pricing



Concluding remarks

In all European countries, with the exception of the three East European countries, both price and service quality are ranked high. This could suggest that a transaction-oriented strategy could be successful for most banks as this emphasizes the offering of low-priced, high-quality bank services, which appeal to most large corporate customers. In countries where relationship is ranked important, a relationship-oriented strategy might be relatively more appropriate.

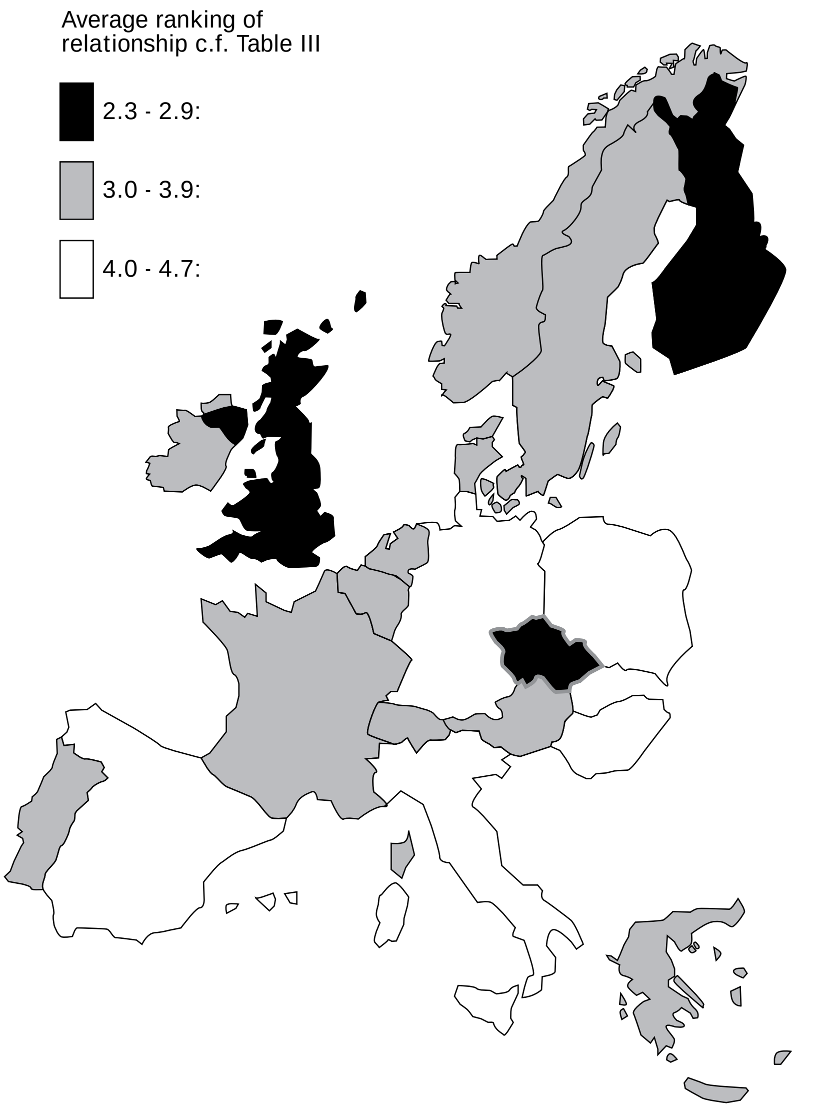
Alternatively, the results might be seen as depicting present bank strategies. Thus, the results could indicate that relationship strategies have not been successfully implemented on the European market for cash management services. Instead the results could be given the interpretation that in most European countries most banks are pursuing a transaction-oriented strategy, competing on price and quality, while fewer banks have been able to successfully implement relationship banking. This interpretation is in accordance with Keltner and Finegold (1996), who state that "[i]n practice … most banks continue to focus on reducing labour costs and competing on price", and with Turnbull and Gibbs (1987, p. 19), who conclude that "[r]elationship banking is a strategy requiring great patience and a substantial investment of resources before it begins to give returns. Perhaps this explains why, despite bankers' intuitive understanding of the dynamics of banking relationships, very few banks have been able to implement an effective relationship-banking strategy". See also Perrien *et al*. (1992) and Day (1985). However, this conclusion should be regarded with some caution since banks pursuing relationship-oriented strategies are likely to compete on price and quality as well and customers responsive to close relationships are likely to give consideration to price and quality, although price becomes a less central means of competition (see also Grönross, 1990, p. 148).

The survey results suggest that there is plenty of business for banks implementing a relationship-oriented strategy, especially in countries like Germany, Italy and Poland. In the UK, the Czech Republic and Finland corporate customers at present rank relationships relatively high, and therefore it might be too late for banks presently using a transaction-oriented strategy to convert to a relationship-oriented strategy in these countries, simply because the corporate customers valuing relationships have already established such ties with their main domestic cash management banks.

Assuming the European corporate customers' criteria for choice of cash management banks can be taken for granted, at least in the short-term, the survey can be used by banks considering entering one or more European countries. For example, in Austria pricing will be important in gaining corporate customers, in Poland offering an acceptable service quality will be important, in Finland building relationships will be relatively important, in Hungary good bank ratings will be useful in attracting new corporate customers, etc.

However, in the long-term, the European corporate customers' criteria for choice of cash management banks cannot be taken for granted. Thus, the results may be less useful for decisions regarding the distant future, because the rankings are not only a result of the needs and wants identified by the customers but also a result of the present bank strategies and the present cash management services offered by the banks.

Figure 3
Average ranking of relationship



Notes

1 The list of schools is available from the authors. In a number of countries the survey was supported by professional bodies representing treasurers. A list of these sponsors is also available from the authors. The survey was administered by The Bank Relationship Consultancy and University of Bath.
2 A chi-square test rejected the hypothesis that country and ranking were independent ($p <$ 0.001) for the criteria: relationship, pricing, service quality, bank ratings, domestic branch network and to compensate for other services. This is an indication of national differences in corporate customers' criteria for choice of cash management banks in Europe.
3 This result is also corroborated by a chi-square test ($p < 0.001$), which could not reject the hypothesis that the ranking of each of the nine criteria is independent of the size of the company groups' worldwide sales and the companies' home country sales.

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