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**MANAGING SERVICE SHORTCOMINGS IN
BANKING: IMPLICATIONS FOR CUSTOMER
LOYALTY AND RELATIONAL
COMPETITIVE ADVANTAGE**

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Abstract

- This paper analyzes how complaint management and service recovery influence customer loyalty in the banking sector.
- The study highlights the importance of factors such as response speed, transparency in communication, empathy, and the perception of fairness in the problem-solving process.
- It also examines the effects of digitalization and artificial intelligence on bank-customer relationships.
- The results show that effective management of negative experiences can help build trust and foster long-term customer relationships.



Introduction

- In recent years, the banking sector has undergone significant changes driven by digital technologies and new consumer expectations.
- Customers demand fast, accessible, and personalized services, and the customer experience has become a key factor in choosing a financial institution
- Even though banks are constantly investing in technology and process optimization, service issues cannot be completely avoided.
- In this context, how complaints are handled becomes essential for maintaining customer satisfaction and trust. 

Reasons for Choosing the Topic

- In the banking sector, the customer relationship is largely based on trust.
- An operational error or a negative experience can quickly affect consumers' perception of the financial institution.
- I considered it relevant to examine whether a complaint handled effectively can turn a negative experience into an opportunity to strengthen the customer relationship.
- At the same time, I sought to highlight the role of digital technologies in this process



Research objective

- The purpose of this research was to analyze how the handling of service deficiencies influences customer loyalty in the banking sector
- I sought to highlight the role of complaint management and service recovery in restoring consumer satisfaction and trust.
- At the same time, I analyzed the contribution of digitalization and artificial intelligence to optimizing the relationship between the bank and the customer.



Research Methodology

- To conduct this study, I used a qualitative approach based on a review of the relevant literature.
- I consulted reference works and recent articles published in journals indexed by Web of Science and Scopus.
- The analysis is focused on the concepts of: complaint management, satisfaction, trust, loyalty, and digital transformation in the banking sector.
- This method allowed me to identify the main trends and conclusions found in the specialized literature.



Shortcomings in banking services

- Service deficiencies occur when the customer experience falls short of their expectations.
- These situations can be caused by delays in processing transactions, operational errors, technical issues, or communication difficulties.
- In the banking sector, the effects are amplified by the fact that financial services require a high level of trust and responsibility.
- For this reason, effective problem management is a key factor in maintaining the customer relationship.



Complaint Management

- Complaints management is not just about resolving a specific issue.
- It aims to restore customer satisfaction and rebuild trust damaged by a negative experience.
- The literature highlights that prompt response, transparency, and empathy are essential elements for the success of this process.
- A properly managed complaint can help strengthen the relationship between the customer and the bank.



Relationship Marketing and Loyalty

- Relationship marketing focuses on building stable, long-lasting relationships with customers
- Trust, satisfaction, and commitment are the elements that underpin these relationships.
- Satisfied customers are more likely to continue doing business with the bank and recommend its services to others.
- In this way, loyalty becomes an important strategic asset for the organization.



Digitization and Artificial Intelligence

- Digital transformation has changed the way banks communicate and interact with customers.
- Customer Relationship Management systems, mobile apps, and online platforms enable more effective monitoring of the customer experience.
- Artificial intelligence facilitates the use of chatbots and predictive analytics to quickly identify issues.
- These solutions help reduce response times and personalize the services offered.



Research findings

- A review of the literature shows that there is a direct link between the effectiveness of service recovery and customer satisfaction.
- Customers particularly value prompt responses, clear communication, and fair solutions.
- Trust plays a central role in maintaining banking relationships and fostering loyalty.
- The results suggest that a negative experience can be overcome when the bank responds promptly and responsibly.



Discussions

- An important finding identified in the reviewed literature is that banks' competitive advantage increasingly depends on the quality of the relationships they build with customers.
- Digitalization helps streamline processes, but it cannot completely replace the human element.
- In complex situations, customers continue to value the empathy and support provided by the institution's staff.
- The most effective strategies combine technology with employees' interpersonal skills.



Conclusions

- Research highlights that complaint management should be viewed as a strategic component of banking operations.
- Effective service recovery helps restore trust and strengthen customer loyalty.
- Digitalization and artificial intelligence provide important tools for optimizing customer relationships.
- Institutions that succeed in combining technological efficiency with a genuine customer focus are better positioned to achieve a sustainable competitive advantage.

