

# **Gazetted Hotels in Singapore: A Banking Study**

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## **ABSTRACT**

Gazetted hotels are hotels which have been inspected and approved by the Singapore Tourist Promotion Board (STPB). The STPB says that the number of Gazetted hotels is expected to grow by about 55% between 1994 and 2002. This projection should not have gone unnoticed by Singapore's local full licence banks which are always keen to identify new customers. If local banks want to seek out the custom of existing or new Gazetted hotels, they should be keen to establish a ranking of their bank selection criteria. Not only that, there is a need to establish levels of satisfaction in the context of such criteria, for this may be an indicator of the likely retention or defection. By establishing the various banks with which the sample has a relationship and the products they use, market distribution and product gaps can be identified. This study addresses these issues and the results show that pricing and locational convenience are key bank selection criteria and that banks very well satisfy these key criteria. Accounts based products are the primary bank services which are used, while finance is obtained from a range of sources, including overdrafts, loans, leasing and hire purchase. The four largest Singapore banks are found to dominate the Gazetted hotel market, as either sole bank, main bank or subsidiary bank. Just under 60% of the respondents use more than one bank and the primary reason they give for so doing is to obtain the best borrowing rates.

Key words: Banking, Gazetted hotels, Singapore.

## INTRODUCTION

Over seven million foreigners visited Singapore during 1996<sup>(1)</sup>. Of these, 53.1% were tourists while the remainder included businessmen, those attending conventions and those attending exhibitions (Singapore Annual Report on Tourism Statistics 1996). Singapore, thus, can be seen as a country which attracts overseas visitors for a variety of reasons with just over half of these being tourists. Based on the above-mentioned figures, it can be said that there is strong demand for hotel services, not only from the viewpoint of providing accommodation, but also for the provision of facilities for conventions and small exhibitions (In 1996, 673 conventions and 114 exhibitions were held: Yearbook of Statistics, Singapore, 1996, p 96). Income from room lettings and food and beverage sales of hotels amounted to some two billion Singapore dollars in 1996 (1.50 Singapore dollars approximately equal one US dollar).

The type of hotels which foreign visitors use ranges from those which fit into the luxury category to those which aim to cater for the less well off. To provide more focus for the present study, it was decided to choose, as a sample, those hotels which have been Gazetted<sup>(2)</sup>. Gazetted hotels not only consist of all the large and middle sized hotels, but also include some of Singapore's smaller hotels.

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<sup>1</sup> This figure may be compared with Singapore's estimated resident population of 3.4 million as at 'end of June' 1996 (Monthly Digest of Statistics, July 1997, p 3 and Yearbook of Statistics Singapore, 1996, p 9). The figures show that, in 1996, more than twice as many foreigners visited Singapore compared with the estimated resident population.

<sup>2</sup> Singapore does not have a system of rating hotels on the traditional star or crown basis. The 'grading' system it applies arises as a result of officials of the Singapore Tourist Promotion Board inspecting a hotel. If an inspected hotel meets certain standards, it will have its name Gazetted (i.e. listed within an official Government publication known as the Gazette).

At the time the present study was commenced in the latter part of 1995, official publications were found which indicated that there were 75 Gazetted hotels in Singapore (Singapore Annual Report on Tourism Statistics 1994). These hotels collectively had 25,000 rooms and, in the year in question, enjoyed 86.6% occupancy rates. Projections in more recent publications of the Singapore Tourism Board (STPB) show that, by the end of 2002, there are expected to be 116 Gazetted hotels which will collectively offer 36,000 rooms (Singapore Annual Report on Tourism Statistics 1996). Thus, the Gazetted hotel sector is seen as a growing one. For, over the eight year period from 31.12.1994 to 31.12.2002, it is projected that the number of Gazetted hotels will increase by 54.7% while the number of available rooms will increase by 44%. These projected figures should not have gone unnoticed by Singapore's full licence banks which continue to look for new and profitable customers.

As a result of the present strong demand for the use of Gazetted hotel services and the projected expansion in that sector, it could be argued that Gazetted hotels are, and will continue to be, attractive bank customers. Gazetted hotels, for this reason, are a type of business well worth studying as a type of banking customer. Thus, the present study, in relation to Gazetted hotels, sought to establish a ranking of their bank selection criteria and the level of satisfaction they have with their only or main bank in respect to the various bank selection criteria; the types of financial product they use; the banks with which they have a relationship and, where they have more than one bank relationship, the reasons for so doing.

As one of the objectives of this paper is to establish the banking relationships of hotels, the section immediately below provides a brief overview of the institutions which are permitted by

Singapore's de facto central bank, the Monetary Authority of Singapore, to provide the widest range of banking/financial services to their customers. These banks are locally called full licence banks. Following this description of the two types of full licence bank, the paper is sequenced as follows: the objectives of the study are presented with comments about relevant published literature, the research design is explained, the results are presented and discussed and, finally, conclusions are made.

### **TYPES OF FULL LICENCE BANK IN SINGAPORE**

There are two types of full licence bank in Singapore, these being local full licence banks and foreign full licence banks. Brief information about the respective types of institution appears below.

(a) local full licence banks

There were twelve local full licence banks at the time of the study. All of Singapore's local full licence banks are public limited companies. Three of the twelve banks are stand-alone banks, namely the Development Bank of Singapore (DBS), Keppel Bank (KB) and Tat Lee Bank (TLB), while the remaining nine banks are members of three banking groups, namely, the Oversea Chinese Banking Corporation group (OCBC), the United Overseas Bank group (UOB) and the Overseas Union Bank group (OUB).

DBS, OCBC, OUB and UOB are known locally as the 'big four' banks as, in the context of Singapore, they have, amongst other things, large capital bases and large branch networks. These banks may have a competitive edge over the foreign full licence banks as they offer a wide range of services and with relatively large branch networks. In regard to the two smaller

local banks, they have lower capital bases and less extensive branch networks. They, thus, may find it difficult to compete, not only with the 'big four' banks for the present and future custom of Gazetted hotels, but also the foreign banks for such custom.

(b) foreign full licence banks

There were twenty two foreign full licence banks at the time of the study. Each of these banks is quoted on the stock exchange of its country of domicile (such as Citibank in the USA and Standard Chartered Bank in the UK) and the bank's status in Singapore is merely that of a branch - which happens to be located not in its country of domicile, but in Singapore.

Many of these banks have long histories and can be considered to have a multi-national presence (such as Citibank and Hongkong and Shanghai Bank), while some of the Asian full licence banks are much more regional in their focus (such as Maybank, a Malaysian bank, and the Bank of East Asia, a Hong Kong bank).

Foreign full licence banks in general have a number of factors in their favour. First, many of them have long histories, some have operated for an extended period of time in Singapore and all offer a very wide range of services, particularly those banks which are multi-national banks. However, these banks lack comprehensive branch networks and this may be a limiting factor in their ability to get Gazetted hotels to use their services, especially if these hotels indicate that convenience of location is a very important bank selection criterion.

## **OBJECTIVES**

Four research questions were formulated to enable the present study to achieve its objectives.

The four questions are presented below, together with appropriate comments from pertinent literature and reasons why the respective questions were posed.

**(a) What is a ranking of the bank selection criteria of Gazetted hotels?**

While some literature exists which provides a ranking of the bank selection criteria of businesses, in general, none specifically relates to the hotel sector.

Most published research has been conducted in North America using samples of small businesses. As examples, Luttrell and Pettigrew (1966), Bowers (1969) and Baker (1991) all established that convenient location was the most important bank selection criterion. Other researchers found a different criterion to be the most important. For example, the following were found to be the most important by the respective researchers: Dunkelberg et al (1984) [who merely looked at non-price factors] found the knowledge of the proprietor and his/her business, Schlesinger et al. (1985) found the provision of a full set of services, Buerger and Ulrich (1986) found responsiveness to credit needs and interest rates charged, Prince and Schutz (1990) found confidentiality, Lucey (1990) found personalised and flexible services, while Nielsen et al (1995) found the bank's willingness to accommodate credit needs. The reputation and reliability of banks was found to be most important in the British study of Turnbull (1984), while Ma and Chan (1987), in their Hong Kong study, found a bank's operational efficiency to be the most important criterion.

Much less is known about the bank selection process relating to medium and large sized businesses. The South African study of Turnbull and Gibbs (1989) found that the quality of bank staff and pricing policies were of great importance for very large businesses. The

importance of pricing in regard to large businesses was also found to be very important in the North American study of Luttrell and Pettigrew (1966).

It would be expected that, in the present study, if a majority of the respondent hotels indicated that they borrowed, interest rates charged would be stated to be a very important selection criterion. Furthermore, as locational convenience was found to be the most important criterion in a number of studies, albeit with small businesses in North America, it would be expected that this criterion would rank highly in the present study.

As the hotel sector is an expanding one in Singapore, it would be expected that rooms and facilities currently available together with the additional rooms and other facilities which would be created in future, would be well used as a result of appropriate marketing by the relevant Singapore authorities, notably the Singapore Tourist Promotion Board (STPB). The STPB, as a marketing thrust, launched Tourism Unlimited in 1995. This aimed to encourage tourists, businessmen and others to visit Singapore (New Asia: Singapore, Singapore Tourist Promotion Board Yearbook 1996).

As a result of the income which hotels generate, banks should be keen to establish a ranking of bank selection criteria of Gazetted hotels. For, as has been seen earlier, the STPB has projected that the number of Gazetted hotels will grow. Results of the present study will enable banks to become aware of what criteria attract hotels to full licence banks and appropriate marketing policies, including possibly branch expansion policies, can be formulated to try and attract this new custom.

**(b) How satisfied are hotels in relation to the bank selection criteria?**

While a range of studies such as those of Lewis (1991) and Cronin and Taylor (1992) have been conducted on the theme of bank service quality using the model of Parasuraman et al (1985 and 1988) or developments of that model, only one study was found which looked at satisfaction in regard to the bank selection criteria of businesses. This was the study of Dunkelberg et al (1984) in North America. This study found high levels of satisfaction in relation to convenience of location and easy access to a loan officer, while lower levels of satisfaction were seen in relation to banks being a reliable source of credit and banks being institutions which offer a wide range of services

By establishing the level of satisfaction in the context of bank selection criteria, banks which already have a market share can see how relatively well they are performing. Remedial action should be considered should banks see that they are poorly performing in regard to certain very important bank selection criteria. In contrast, should banks see that with some of the less well rated criteria, levels of satisfaction are very high, it could be argued that banks are over-performing in these areas. There is an argument, if such is found, for getting resources allocated to the areas of over-performance shifted to those where there is seen to be a less satisfactory performance. Any such reallocation of resources should create more satisfied customers in the context of the bank selection criteria.

For banks which have no market share, responses to questions (a) and (b) will make them aware or more aware not only of what are the most important bank selection criteria, but also how

relatively satisfied Gazetted hotels are in the context of those criteria. The collective information available from responses to questions (a) and (b), in any event, should be useful to banks which not only want to attract custom but maintain high levels of customer satisfaction.

**(c) What is the range of financial products that Gazetted hotels use?**

All sampled businesses in a number of studies were found to use current/checking accounts (for example, Bowers (1969), Lucey (1990)), while lending based accounts were found to be less frequently used by business customers (as established in the studies of Grant (1986) and Lucey (1990)). Turnbull (1983 and 1984) found high usage rates for short and medium term loans. Ma and Chan (1987) in their Hong Kong study found that borrowing was a frequently used service, more particularly by import/export customers. Insurance, a non-traditional bank product, was found to be very frequently used by business customers (Turnbull (1983) and Ma and Chan (1987)).

By establishing the range of products which hotels say they use, product groupings could possibly be identified and appropriate packages of financial products could be marketed to hotel groups. Alternatively, where there are product gaps, the benefits which would accrue from these products could be explained to the respective hotels. If it is seen that hotels are tending to use the financial services of non-bank financial institutions, banks could specifically target their customers to see if they would be prepared to use the equivalent service, as available from either the bank or its subsidiary.

**(d) What is the distribution of bank relationships between local and foreign full licence banks and where there is more than one bank relationship, what are the key**

### **reasons which cause split banking?**

Studies in North America (Nielsen et al (1995)) and Europe (Turnbull (1983)) found that local banks are used almost exclusively by businesses. Businesses which venture abroad tend to use local banks in the country of operation rather than banks of their country of domicile (Turnbull (1984)). While most relationships were found to have been created with local banks, this is not to say that foreign banks are never used. For, as Turnbull (1983) established, foreign banks were used by his respondents for specific reasons from time to time. The Hong Kong study of Ma and Chan (1987), in contrast with the North American and European studies, found that some 30% of their respondents used foreign banks as main bank.

Turnbull by himself (1983) and with others (with Gibbs (1989) and Lewis (1982)) established the extent to which multiple banking was practised by various samples, the actual percentages was 41% (in the 1983 study using a UK sample), 87% (in the 1989 study using a South African sample) and 100% (in the 1982 study using a UK sample of very large businesses). The studies also showed that the bigger the business, the higher the number of banks used. Other researchers have found multiple banking not to be uncommon. For example, in the North American study of Nielsen et al (1995), the percentage was 34%, while the Hong Kong study of Ma and Chan found 94% of their respondents were engaged in multiple banking.

Of importance here is that if a bank knows it is the sole bank to a Gazetted hotel, it would be wise to consider how it can protect its position. Where a hotel is known to be engaged in split banking, the main bank may wish to seek to maintain or improve its position, while secondary banks may wish to try and become main bank. By knowing what reasons have caused split

banking to take place, the information may help banks to decide what action to take in relation to maintaining or improving their position. In the context of the distribution of relationships between local and foreign banks, it will be of interest to see if the result somewhat mirrors that seen in the Hong Kong study of Ma and Chan (1987) (i.e in the order of about 30% usage) or western studies (i.e. negligible or zero usage). Knowledge of this distribution will enable the extent of local bank dominance to be established.

## **RESEARCH METHOD**

### **Research design**

The nature of this study did not require the use of open ended discussions with the targeted sample, as the nature of the questions to be answered was reasonably well defined from the outset. The key issue to be decided was whether to try and obtain responses to the various statements/questions over the telephone or to deliver a survey form by hand or through the post.

It is generally considered inappropriate in Singapore to try and deal with any survey over the telephone, as people are particularly busy during their working day. The issue then becomes whether to hand deliver or post out the survey form. If a cold postal technique is used in Singapore, response rates are very poor. It is not unknown for response rates to be in the order of 5% and, to obtain higher rates, additional procedures are necessary. One of the additional steps used in the present study, was to telephone each of the targeted hotels and attempt to find the name of an appropriate person in the hotels' finance department to whom the survey form could be sent or hand delivered and provide a brief outline of the study and its importance. The survey forms were sent out after efforts had been made to contact all Gazetted hotels and a very reasonable deadline for returning the completed forms was provided in the covering letter. Prior

to and after the first deadline, no survey forms were returned 'address unknown' or for any other reason. Two hotels wrote to say they were not prepared to participate in the study. Twenty three survey forms were returned by the deadline quoted in the covering letter. A week after this deadline, a thank you/reminder letter was sent out and this prompted staff at two hotels to say the original survey form did not get through. Of these, one later responded and a further two completed forms were returned, making twenty six responses altogether. Thus, the overall response rate was 34.7% (26 out of 75 forms). The response rate here is higher than that seen in most similar studies (for example, Buerger et al (1986); 27%, Dunkelberg et al (1984); 29%, Ma and Chan (1987); 18.4%, Nielsen et al (1995); 20%) while the absolute number of respondents available for analytical purposes is comparable to those of the study of Turnbull (1984) who analysed responses from 30 medium and large sized businesses.

One *limitation* of using a postal or drop off technique is that only a percentage of the targeted sample will respond. Where the target sample is relatively small, however, every effort can be made to contact all the sample by telephone in an effort to encourage responses. Efforts were made in this study to get the name of an appropriate respondent in each hotel's finance department. This action was designed to improve the response rate. Some respondents, though, will continue to be very busy, while others will decide that the issues are confidential. The main advantage, however, of using this technique is that it allows respondents to complete the form when they can find time.

### **Sample**

There is a range of hotel types which have a presence in Singapore, as mentioned in the introduction. To give the study more focus, only those hotels which had been Gazetted and,

thus, formally approved by the Singapore Tourist Promotion Board, were targeted for sampling purposes. Seventy five such hotels existed at the time the study commenced.

The respondents, as seen in Table 1, had a range of characteristics from the viewpoint of number of rooms, number of permanent staff employed, the number of years they had operated in Singapore, the location of the hotels headquarters and the type of ownership.

Table 1 here

To test the representativeness of the respondents in relation to the sample, reliance was placed on the number of bedrooms in each hotel, as such information is available in official publications (Singapore Annual Report on Tourism 1996). The official figures can be compared with those seen in Table 1. The official figures showed that 22 Gazetted hotel had 200 rooms or less, 25 were in the next category, 21 in the next category and 7 in the largest category (this gave respective percentages of 29.4%, 33.3%, 28.0% and 9.3%). A comparison with the percentages of respondents in each of the four categories, as illustrated in Table 1, shows that there is good agreement. It can be concluded that the respondents, in relation to the number of rooms they have, generally, are in line with the sample.

One *limitation* in relation to the sampling frame relates to the sample used in this study. The sample did not consist of a cross section of businesses as it focused on one type of business and a specific sub-type of that business sector. This limitation is acknowledge but the matter can be addressed by conducting similar studies on other samples of businesses in the future. By choosing the sample in the way that was done, this meant that identifying the sample was easy and making contact with them was also easy.

## **Survey form**

A limited amount of past published literature was available in relation to each of the four research questions that were formulated, as can be seen from the previous main section. Such literature, however, was seen to predominantly relate to the small business sector which was located in the west. There was a need, hence, to consider the appropriateness of that literature; first, to a sample consisting of hotels, second, to a sample located in South East Asia and, third, to a sample which predominantly would consist of large businesses.

Past literature and discussions with staff in the banking and marketing divisions of the School enabled a draft survey form to be constructed which had four sections to it. There was a list of twenty six bank selection criteria in the first section. These were to be rated on a 5 point Likert scale in relation to the relative importance of each bank selection criterion. The anchor points were 'not important' to 'very important'. Respondents, on another five point Likert scale, were asked to indicate the extent to which their sole or main bank satisfied each of the twenty six bank selection criteria. The anchor points were 'does not satisfy at all' to 'satisfies perfectly'.

There was a list of what were believed to be financial products which hotels would use and debt settlement techniques which hotels were likely to accept in the second section. There was an open ended section put here which enabled respondents to add to the pre-printed list.

There were questions about the hotel's banking relationships in the third section and, if the hotel used more than one bank, the respondents were asked to name their main bank and state why they engaged in multiple banking. A list of possible reasons for engaging in multiple banking was provided, together with an open-ended section.

Information pertaining to the hotel was sought in the fourth section, this relating to the number of bedrooms the hotel had, number of permanent staff it employed, the number of years it had operated in Singapore and the location of its headquarters.

Staff in the finance department of three different sized hotels were approached and asked if they would be prepared to complete the draft version of the survey form, comment on its content and suggest improvements. They agreed to do so and, following their feedback, several alterations were made (for example, three of the original bank selection criteria were eliminated as they were found to be of very low importance). Thus, twenty three criteria were included in the final version of the survey form.

The main *limitation* associated with the survey form approach is that it may miss out certain key criteria or other matter. However, by extensively searching for pertinent literature, discussing the issues with expert academic staff and pre-testing the survey form, it would be expected that no key criteria nor other matters would have been excluded. Even if there had been an exclusion, respondents were given the opportunity to indicate relevant matters in two open ended sections which were contained in the survey form.

## **Method of analysis**

The data base was analyzed using SPSS. Summations, calculations of means, standard deviations and the carrying out of t-tests were all conducted using SPSS.

## **RESULTS**

The results appear in the same sequence that the research questions were presented.

### **(a) What is a ranking of the bank selection criteria of Gazetted hotels?**

The respondent hotels, from the content of Table 2, were seen to be very price conscious; placing great importance on a bank charging low rates of interest and imposing low commission rates for the fees it charges. Also, of great importance was the need for the bank to be conveniently located. Hotels saw little need, though, for a bank to be a member of NETS (this is the name of the local EFTPoS system) nor was there a great need for a bank to regularly introduce new products.

Table 2 here

Hotels were seen, in regard to the list of bank selection criteria, to have very high expectations of banks, with only three of the listed bank criteria means falling below 4 on the chosen scale - in other words twenty of the criteria were rated as verging towards being 'very important'. The fact that few criteria were found to be of low importance in the full study was expected, as this had been observed in the pre-test and the three very lowly rated criteria identified in that phase of the study were discarded.

### **(b) How satisfied are Gazetted hotels in relation to the bank selection criteria?**

Hotels, in general, appeared to be well satisfied in regard to levels of satisfaction relating to the bank selection criteria, as seen in Table 2. There were no mean responses in the range of 'does not satisfy at all' through to 'satisfies to some extent'. Twenty of the criteria were ranked within the range 'satisfies to some extent' and 'satisfies very well', with only four of these being below the half way point between these two statements (i.e. only four were below an average of 3.50); furthermore, there were three averages in the range 'satisfies very well' to 'satisfies perfectly'. Two of the four most important bank selection criteria (i.e. the bank is located close to the hotel and the bank produces regular statements which are accurate) were very well satisfied by the main or sole bank to the hotels.

**(c) What is the range of financial products that Gazetted hotels use?**

The content of Table 3 indicates that banks and their subsidiaries are major providers of financial services to the respondent hotels. The most popular of the services, not surprisingly, are accounts based (with all respondents having a current account) or services which require an account to have been opened (such as Giro). It is also noted that full licence banks have been very successful at getting hotels to use their payroll service.

Table 3 here

It is not surprising, in view of the international clientele which patronises Singapore's hotels, to see high usage rates for international remittances and exchanging foreign currencies into Singapore dollars. Some of the hotels, it is seen, also obtained guarantees and letters of credit from their banks.

Hotels indicated that besides borrowing from banks and using the lending based products of leasing and hire purchase companies which were bank subsidiaries, they also sought finance

form leasing companies and hire purchase companies which were not bank subsidiaries. A smaller number of Gazetted hotels said they obtained finance by way of hire purchase or leasing.

Insurance was said to be a key product provided to hotels by non-bank institutions. In the final accounts of the local banks for the year ending 31.12.95, neither DBS nor OCBC indicated that they had a subsidiary or associate company which supplied general insurance. The four other local banks indicated that they had such suppliers of insurance products. As DBS and OCBC were the two banks which had most relationships with the sample, it is not surprising to see that almost all the respondent hotels used the insurance services of bank competitors.

Another feature of note is that some hotels indicated that they found it to be more cost effective to remit money overseas using non-banks and also they used certain bureaux rather than banks for exchanging foreign currencies into Singapore dollars.

There are indications from the responses relating to payment settlement techniques which are accepted, that the vast majority of respondent hotels took both credit and charge cards, but only a small proportion accepted the local ATM/debit card. For, only 11.5% of hotels said they took this as a medium of settlement. This is perhaps reflective of the fact that the bulk of the income of hotels originates from overseas visitors and they are most unlikely to have a local Singapore dollar bank account and a debit card to go with that account.

**(d) What is the distribution of bank relationships between local and foreign full licence banks and, where there is more than one relationship, what are the key reasons for**

**this?**

The twenty six respondent hotels, as seen from Table 4, had forty six bank relationships (this resulting in an average of 1.77 banks for each hotel). Eleven of the respondents (i.e. 42.3%), as seen in the upper part of Table 5, had single bank relationships while the remaining fifteen (i.e. 57.7%) used two or more banks.

Table 4 here

It can be seen from Table 4 that the 'big four' local banks had a dominant share of the Gazetted hotel market, having 31 relationships (i.e. 67.4%), while the foreign banks had 14 relationships (i.e. 30.4%) and the small local banks had a single relationship (i.e. 2.2%).

Table 5 shows the main bank relationship of respondents. The 'big four' banks, where there was a single bank relationship, had nine main relationships while the foreign banks had two. The 'big four' banks were main bank to twelve of the fifteen multiple banking hotels, while the foreign banks were main bank to three hotels. The 'big four' had eleven relationships, the foreign banks had nine relationships and the small local banks had a single relationship as subsidiary banks.

Table 5 here

Seven hotels which were engaged in multiple banking had two bank relationships, three hotels had three relationships and three hotels had four relationships. Upon comparing size of hotel to number of bank relationships, the following averages were observed: the smallest hotels used an average of 1.37 banks, the next group used 2.43 hotels, the next group 2.00 hotels and the largest hotels used 2.00 banks. These figures tend to show that hotels with 200 or less rooms, on average, have fewer bank relationships compared with hotels with more than 200 bedrooms.

The multiple banking hotels when asked to indicate why they used more than one bank, showed themselves yet again to be very price sensitive. They indicated that the main reason for them so doing was to obtain the best borrowing rates. This and the other reasons that were offered for engaging in multiple banking are illustrated in Table 6.

Table 6 here

## **DISCUSSION**

The results show that Gazetted hotels rated the listed bank selection criteria very highly. Hotels, more particularly, viewed pricing policies in respect of interest rates charged on borrowing and fees imposed on services provided as being of the utmost importance. Gazetted hotels also looked to a main or sole bank to be conveniently located. The need to provide an EFTPoS service is not highly rated, nor is the need to provide new banking products. As all banks (i.e. local and foreign full licence) can compete keenly on pricing policies, this factor cannot explain the wide divergence of use between local and foreign full licence banks. What may be key to the explanation is that, in the context of the local market, the local and foreign banks operate to different rules regarding branch development. Foreign full licence banks, since 1970, have not been permitted to expand their branch networks, while local banks have extended their networks to where the business population and consumers have located or re-located. Possibly, as a result of their ability to develop more comprehensive branch networks, this has enabled the local full licence banks to become dominant in the Gazetted hotel market, especially as the respondents indicated that locational convenience was a very important bank selection criterion.

Banks, in relation to the extent to which they satisfied the various bank selection criteria, came out of this assessment with very good ratings in general. High levels of satisfaction were

observed for the key criteria. Locational convenience, for example, was very highly rated - this may again be an indicator of why local full licence banks dominate the market. Where foreign banks are equally conveniently located, this enables them to compete on more equal terms and this may help to explain the market share that they enjoy. Banks also got very high ratings in regard to the accuracy of statements they produce, no doubt this arising from the high utilisation of computers and staff checking input and output for possible errors. Banks also received high ratings for their reputations. The local banks, especially the 'big four', are highly regarded locally, as are some of the multi-national foreign full licence banks.

Hotels were major users of accounts and certain products which linked into those accounts. All had current accounts, about three quarters borrowed by way of overdraft, and an almost similar number had fixed deposits. Finance was obtained in other ways, such as leasing and hire purchase, some of which came from institutions not associated with a bank. There appears, thus, to be some business which banks can acquire from these competitor institutions. Insurance, not surprisingly, was a product used by all the respondents. The two banks which had the highest share of relationships with the respondents did not, according to their 1995 final accounts, have subsidiaries or associate companies which provided general insurance. Most insurance business, as seen in Table 5, is provided from outside the banking groups. The provision of insurance based products, thus, is a potential area of expansion for banks - either through their existing group network or possibly through companies which will either be acquired or created.

Plastic cards are widely accepted medium of non-cash settlement. There is almost universal acceptance of credit cards and the two prominent T & E cards are not that far behind from the

viewpoint of acceptability. Those banks and other institutions which issue such cards have little room for expansion in the hotel sector.

The local banks, more particularly, the 'big four' have the majority of bank relationships and are the predominant main bank and subsidiary bank to the Gazetted hotels. This position of dominance seems unlikely to be challenged as the two smaller banks may not have the necessary financial muscle, and they, like the foreign full licence banks, lack a wide branch network which appears to be a very key factor in the bank selection decision of Gazetted hotels.

57.7% of the respondent hotels were engaged in multiple banking and price or service related factors were the dominant influencers of this decision, more particularly the ability to obtain the best borrowing rates and best credit interest rates. Bank efficiency, advice and ability to obtain specialised services was also seen to have influenced the multiple banking decision. Bigger businesses, wherever their location, appear to enter into multiple banking relationships. Banks must accept this, but in so doing, they should ensure that their own relationship with their hotel customer is a profitable one.

### **CONCLUSIONS**

Gazetted hotels appear to be attractive banking customers now and are likely to remain so in the future. Full licence banks, if they are to target Gazetted hotels, now know what such commercial organisations look for in the selection of a bank. Banks, thus, which do not have any or many Gazetted hotels as their customers, if they choose to target such hotels, should do so primarily on the basis of bank pricing and locational convenience, where such exists.

Gazetted hotels do not appear to use a wide range of financial services, but they can be seen as

income generators for banks. About 75% of the respondents borrowed, thus generating interest income for the banks. About the same number had fixed deposit accounts which constitute a lendable source of monies for the banks. A proportion of finance was obtained from leasing and hire purchase companies, some of which was obtained from non-bank bodies. There is some room in these areas to develop business. Those banking groups which presently do not offer insurance based services could expand their portfolio of products to include general insurance and market their own products.

Just under 60% of the respondents engaged in multiple banking, citing pricing reasons as the main reason for so doing. Provided main banks can be price competitive (on overdrafts and interest bearing accounts) they should be the major benefactors of the credit balances of hotels and be the major providers of overdrafts and loans.

*Further studies* could be conducted on different types of business, either focusing on other parts of the services sector or the manufacturing sector; and the results of such studies could be compared with the present one. Singapore has many businesses engaged in either export, import or export and import, and equivalent studies could be conducted on these types of business. This study looked at satisfaction in relation to bank selection criteria. Further studies on the satisfaction levels in relation to service quality could be conducted using the Parasuraman et al. (1985 and 988) model and developments of that model on any type of business sample.

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**Table 1**  
**Respondent Characteristics**

**n= 26**

<u>Number of rooms</u>	<u>N</u>	<u>N/n%</u>
200 or below	8	30.8
201 - 400	7	26.9
401 - 600	7	26.9
above 600	<u>4</u>	<u>15.4</u>
	26	100.0
 <u>Number of permanent staff</u>		
50 or below	3	11.5
51 - 200	5	19.2
201 - 500	13	50.0
501 and above	<u>5</u>	<u>19.2</u>
	26	100.0
 <u>Years of operation in Singapore</u>		
10 years or less	12	46.2
more than 10 years	<u>14</u>	<u>53.8</u>
	26	100.0
 <u>Location of Headquarters</u>		
Asia	23	88.4
America	2	7.7
Europe	<u>1</u>	<u>3.9</u>
	26	100.0
 <u>Type of ownership</u>		
Independent	18	69.2
Chain	7	26.9
Franchise	<u>1</u>	<u>3.9</u>
	26	100.0

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**Table 2**  
**Ranking of Bank Selection Criteria by Hotels and Their Satisfaction in Respect to the Criteria**

	<u>Desired</u>		<u>Level of Satisfaction</u>	
	<u>mean</u>	<u>sd</u>	<u>mean</u>	<u>sd</u>
1) Low interest rates charged	4.83	0.39	3.67	0.87
2) Bank located close to hotel	4.74	0.62	4.21	0.72
3) Low commission rates charged	4.70	0.56	3.54	0.72
4) Accuracy of regular statement	4.70	0.70	4.33	0.64
5) Fast and efficient counter service	4.61	0.66	3.91	0.79
6) Easy access to officer in charge of account	4.57	0.66	3.79	0.98
7) Wide range of services offered	4.57	0.90	3.96	0.82
8) Personalised relationship with bank	4.52	0.59	3.92	0.93
9) Satisfies hotel's expectations	4.52	0.73	3.71	0.69
10) Reputation of bank	4.50	0.86	4.29	0.62
11) Ease of obtaining increased credit	4.43	0.66	3.50	0.93
12) Ease of obtaining credit	4.43	0.99	3.71	1.08
13) High interest rates offered on deposit accounts	4.39	0.58	3.30	0.76
14) Courteous counter staff	4.30	0.76	3.57	0.73
15) Wide network of branches	4.30	1.06	3.79	0.93
16) Banks' willingness to support business goals	4.22	0.85	3.50	0.72
17) Ease of opening business account	4.13	1.06	3.83	0.87
18) Worldwide correspondent banking network	4.09	1.12	3.63	0.65
19) Provides business advice	4.04	0.82	3.13	0.97
20) Courteous non-counter staff	4.04	0.88	3.58	0.72
21) Extended operating hours offered	3.83	1.30	3.25	1.07
22) Bank regularly introduces new products for businesses	3.52	0.79	3.63	0.49
23) Member of NETS	2.95	1.36	3.44	1.25

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**Table 3****Financial Products Used by and Non-Cash Settlement Techniques Accepted by Hotels****n = 26**

	<u>Banks and Subs</u>		<u>Non-banks</u>	
	<u>n</u>	<u>%</u>	<u>n</u>	<u>%</u>
Current account	26	100.0	-	-
Giro services	24	92.3	-	-
Payroll services	23	88.5	-	-
Sending money overseas	20	76.9	3	11.5
Fixed deposit accounts	19	73.1	2	7.7
Overdraft/loan <sup>(*)</sup> facilities	19	73.1	-	-
Exchanging foreign currency into Singapore dollars	15	57.7	5	19.2
Leasing	5	19.2	4	15.4
Guarantees	4	15.4	-	-
Insurance	4	15.4	22	84.6
NETS	3	11.5	-	-
Hire purchase	2	7.7	5	19.2
Letters of credit	2	7.7	-	-

**Non-Cash Settlement Techniques Accepted**

Visa	23	88.5
Mastercard	22	84.6
Amex	21	80.8
Diners Club	20	76.9

(\*) Only two hotels indicated that they had a loan facility and one of these had a combined overdraft and loan facility.



**Table 4**  
**Bank Relationships of Hotels**

**n = 26**

<u>Bank Name</u>	<u>Relationships (R)</u>	<u>R/n%</u>
Oversea Chinese Banking Corp group (*)	11	42.3
Development Bank of Singapore (*)	9	34.6
United Overseas Bank group (*)	7	26.9
Overseas Union Bank group (*)	4	15.4
Hongkong and Shanghai Bank	4	15.4
Standard Chartered Bank	3	11.5
Citibank	3	11.5
Keppel Bank (**)	1	3.8
Bank of China	1	3.8
Bank of America	1	3.8
Chase Manhattan	1	3.8
May Bank	<u>1</u>	3.8
Total	46	

\* These are the big four local banks and they collectively had 31 relationships

\*\* This is one of the small local banks and it had one relationship

**Table 5****Main and Subsidiary Banks to Gazetted Hotels****n = 26****Main Bank to Gazetted Hotels**

	<u>Total</u>	<u>Single</u>	<u>Multiple</u>
Oversea Chinese Banking Corp (*)	8	2	6
Development Bank of Singapore (*)	5	3	2
United Overseas Bank (*)	5	2	3
Overseas Union Bank (*)	3	2	1
Hongkong Bank	3	2	1
Citibank	1	0	1
Standard Chartered Bank	<u>1</u>	<u>0</u>	<u>1</u>
Total	26	11	15

**Subsidiary Banks to Multiple Banking Gazetted Hotels**

Development Bank of Singapore (*)	4
Oversea Chinese Banking Corp (*)	3
United Overseas Bank (*)	3
Citibank	2
Standard Chartered Bank	2
Bank of America	1
Bank of China	1
Chase Manhattan Bank	1
Hongkong Bank	1
Keppel Bank (**)	1
Maybank	1
Overseas Union Bank (*)	<u>1</u>
Total	21

\* These are the big four local full licence banks

\*\* This is one of the two small local full licence banks





**Table 6**  
**Reasons Why Hotels Practised Multiple Banking**

**n = 15**

<u>Reason</u>	<u>N</u>	<u>N/n%</u>
1) It allows the hotel to obtain the best borrowing rates	8	53.3
2) It enables the hotel to transfer excess funds from one bank to another to earn higher interest	3	20.0
3) Certain banks offer a higher level of efficiency compared with other banks	3	20.0
4) It allows the hotel to seek advice from different banks	3	20.0
5) Some banks provide specialised business services	3	20.0
6) Staff at some banks are more enthusiastic in the way they serve customers	2	13.3