

Marketing on Banking Sector

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Abstract: Banks on the contemporary financial market increasingly focus on finding ways and methods of achieving sustainable competitive advantage, where the application of marketing concept in banking is becoming increasingly prominent. Banking management enables building a recognizable banking culture and is directly positively correlated with raising the quality of banking services. Still, a prevailing opinion in marketing theory is that the application of marketing as business philosophy is still burdened with various obstacles, especially in the practices of developing countries, that is, the former transition countries. In the banking practices of countries completing or having completed the process of transition, essential structural changes are noticeable which are largely related to deregulation and privatization, change in the functioning of financial markets, growing influence of information technologies, and the change of preferences of users of banking services. In the time of recession, i.e. economic crisis, banking operations are also burdened with an increasing degree of competition, reduction of the available market, globalization of banking services, but also evident changes of regulative, economic, political and legal environment. Bearing in mind the fragmentation of the contemporary banking market with heterogeneous segments of users of banking services, creating marketing programmes of banks is increasingly directed towards serving smaller groups of users, that is, identifying and satisfying the individual needs and expectations of users of these services, which has opened a space for promoting and establishing relation marketing in banking.

Keywords: banking marketing, marketing mix.

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I. Introduction

The 1970s were the period of establishment and promotion of the process of strengthening market mechanism in banking operations, coupled with abandoning state regulation. This process was characterized by deregulation, competition, globalization and a rising influence of information technologies in banking [10]. Deregulation enabled intensified competition between varieties of types of financial institutions. Competition of dissimilar financial institutions is manifested in the form of price-based and product-based competition. Globalization was initiated by the processes of deregulation and intensified competition, and is manifested from end to end connecting a major number of national financial markets into a unified international, or global financial market. Finally, development of information technologies led to transformation of modern banking, primarily by the speed of transfer and processing of data and information.

A decade later, decline of the role of banks in the financial system became clear, resulting in disintermediation of financial services. In the original sense, disintermediation pointed to different modalities of banking services, and in the modern sense it marks disappearance of the need for financial intermediaries, i.e. disappearance of traditional banking activities, simultaneous with the establishment of financial services that enable charging commission. Expansion of the demand for clients resulted in focusing in banking operations and growth of financial instruments. This process broadens quickly across countries with urbanized markets with the aim of more efficient and profitable operation.

II. The Concept Of Banking Marketing

Banking marketing is a break up area of application of marketing theory and practice, and developed within general growth of service marketing.

Usually speaking, the direct definition of marketing is gainful satisfaction of needs, and the American Marketing Association defines it as an organizational function and a set of processes of creating, communicating and delivery of value to customers and managing customer relations in an approach favorable for the organisation and its stakeholders.

Implementation of the marketing idea in business practices is not possible without the application of marketing management, which is regarded as the art and science of choosing objective markets and the ability to

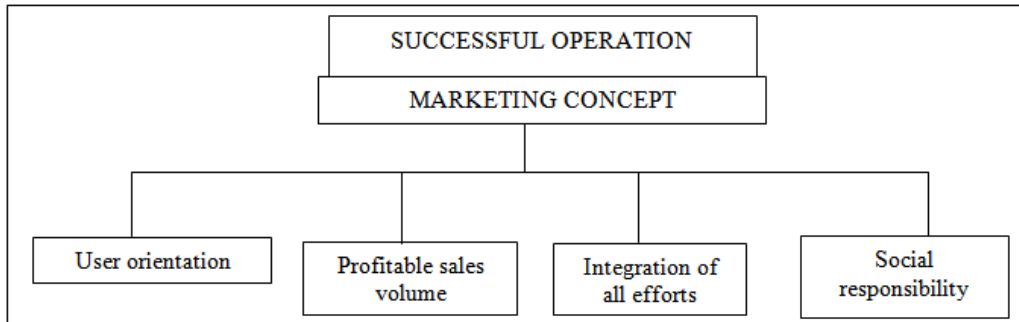
pull towards you, retain and increase the number of buyers by creating, delivering and communicating higher customer value [4].

The competitive concepts within which the banks performed marketing activities can be systemized as:

- The client service process concept,
- The banking offer growth concept,
- The sales concept,
- The banking marketing concept, and
- The banking marketing holistic concept.

The marketing concept is related to victorious bank operation, which can be represented as the primary basis of bank marketing concept (Figure 1).

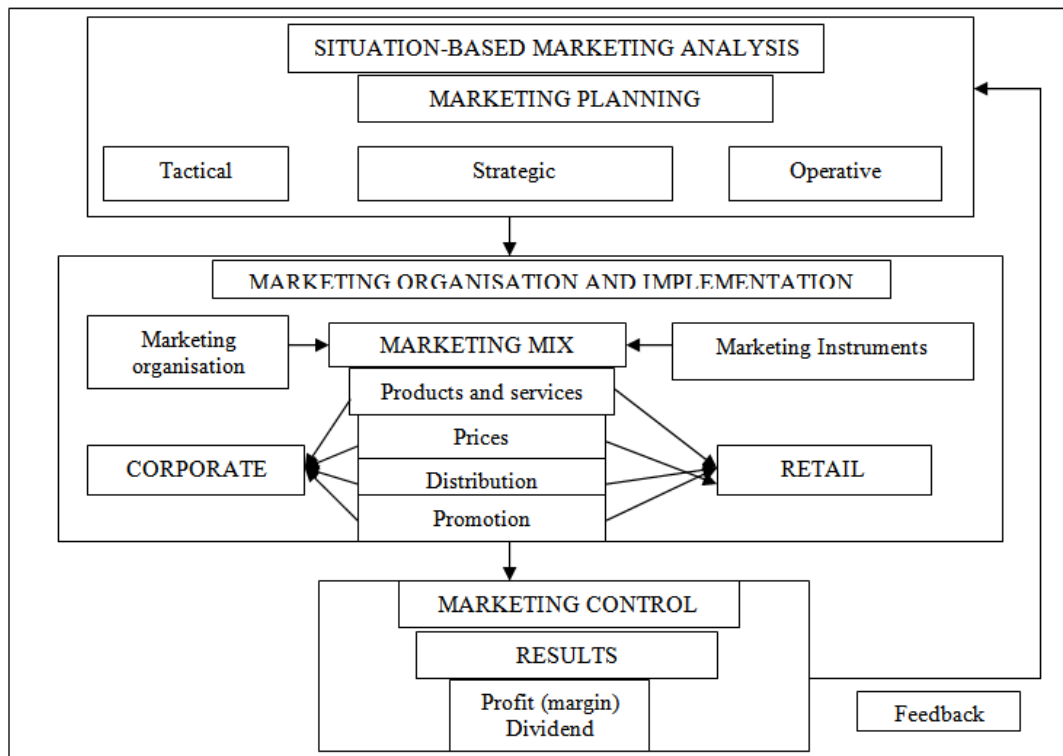
Figure 1 – The fundamental basis of bank marketing concept



Source: [9]

The process of marketing in banks can also be represented graphically (Figure 2)

Figure 2 – Banking marketing management process



Source: [9]

In the modern banking practices, the growth of direct and long-term dealings with all stakeholders that directly influence the bank’s banking performance becomes the main aim of marketing, which promotes relationship approach to marketing in banking. Some authors stress that, for example, in the field of commercial banking, marketing and strategic issues are merging since decisions about the way to deal with customers always impact on corporate norms and policies within the organization [7].

Viewed in the chronological context in the banking of developed market countries, especially the USA, it is possible to identify 5 stages of understanding and conceiving of the marketing concept [11]:

- Marketing as advertising, sales promotion and publicity,
- Marketing as a smile and cozy atmosphere in a bank,
- Marketing as modernization of banking services,
- Marketing as the bank's positioning,
- marketing as the analysis of market, planning and control in the bank.

The first of the above listed stages is characteristic of the late 1950s, when banks, entwined in the spirited struggle for clients' deposits, started using certain experiences from the sector that offered customer goods on the market.

The second stage was oriented to service environment, where the bankers became noticeably more well-mannered, and the most obvious change was removing the bars from the bank counters.

Innovation dominantly marked the third stage, for the banks started following the financial needs of their clients and developing banking products in accordance with these.

Market segmentation of the users of banking services and positioning based on the type of services, prices and promotion was the focus of the fourth phase.

The fifth phase is marked by the awareness that increasing profit in the competitive conditions requires paying special attention to market analysis, one's own strength, creating ambitious marketing plans, determining quotas and development of an appropriate remuneration system.

In contemporary conditions as well, not all the banks are in the fifth phase of implementation of the marketing concept, but entering this phase is a prerequisite for achieving success in fierce competitive struggle. Execution of marketing in banks implies their market direction in terms of relating to the needs, demands and wishes and clients from the selected market segment in relation to the funds that the bank offers and endeavor to meet these needs, needs and demands, gaining profit at the same time.

III. Banking Marketing Mix

When speaking of the marketing mix of service companies in general, it must be borne in mind that execution of marketing in the service sector requires making adjustments [8]. This results from the nature of services and processes of interactivity of service, so that the conventional concept of the marketing mix is expanded when it comes to people and their way of dealing with customers. This primarily relates to the first-line employees, who are in direct contact with customers, i.e. clients, affecting the perception and creation of image among the customers. It is why the marketing mix of service organizations, in addition to the first four Ps (product, price, place (distribution) and promotion), is transformed to include additional three Ps, as shown below [8]:

- Provision of service,
- Pricing and payment conditions,
- Placement, i.e. channels of service sale,
- Promotion – integrated market message,
- Physical proof,
- People, and
- Process of service provision.

The banking marketing mix is a product of a large number of substitute combinations of marketing mix instruments when entering markets or their segments where they are trying to achieve a synergetic combination of instruments, and the aim is achieving the most favorable proportion between the total costs of marketing mix and the bank's total income [11].

These marketing mix instruments of service organizations can be viewed through exact manifestations when it comes to banks [10]. Product as a marketing mix in banking denotes the offer of banking products and services that the bank defines in accordance with the needs of specific target groups (retail clients, corporations, individual industries).

A bank's ability to acquire funds at lower prices, i.e. interest rates, and loan them at the highest possible margins between asset and liability interest rates determines the profitability of banking operations. In addition to this, determining the price is also limited by certain external factors, such as the rate of statutory reserves, inflation, levels of growth of the banking market, with the resulting degree of competition, and the risks immanent to banking operations.

Sharing refers to banks' behavior whereby their services are placed at the clearance of users in the right place and at the right time. In addition to distribution through a network of branches and counters, the development of electronic banking brings additional channels such as ATMs, internet centers, call centers, video communication, mobile banking, etc.

Promotion in banking plays a extraordinary role in strengthening corporate reputation, goodwill and other elements of vague assets, where, when it comes to the latter, promotion plays the most prominent role given that there is not much space for differentiation of otherwise standardized banking services. Another promotional instrument is personal sale.

People as a marketing mix instrument in banking take in the staff of the branch selling services and offering associated services, auxiliary staff, as well as other users who find themselves in the branch at the moment of service rendition.

Physical environment is extremely important for forming the users' impression about the bank, and particular standards define the outer and inner appearance of branches. The main intention is for the users to have an identical experience of service provision at every branch.

Processes in banking show a bank's ability to perform the tasks entrusted to it, and an illustration can be the process of disbursing loans in the sense of terms, complexity and total risk.

IV. The Challenges Of Banking Marketing

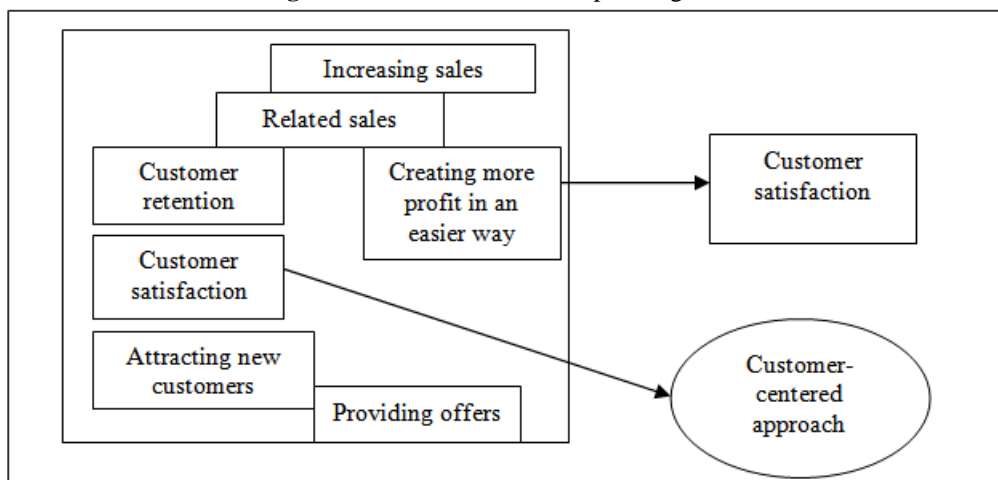
Three trends can be identified in relation to customers of banking services: their greater influence, longer lifespan and the growing economic significance of women. The complexity of choice of banking services is related to the complexity of product and information asymmetry [5].

In terms of the above mentioned trends, the bank may strive to increase the tangibility of service, place accent on certain dimensions of image and goodwill, and invest in staff training by means of internal marketing. Other significant factors are risk taking and building trust, so that it is the task of banks and their associated clients to develop an organizational structure that requires contractual and competitive trust. Banks should contain confidence into their internal processes through practice and employee relationships. In this context, the emergence of the internet opens new issues and abilities.

Researches from the commencement of the new millennium were suggesting the growing role of Internet in banking – for instance in a research in Denmark 60 key managers from the largest retail banks believed it would become more vital in the future, while all other distribution channels would become less vital [6]. During the previous decade there was acceptance of information technologies in banking in different parts of the world [3] and nowadays e-banking services can be described as standardized [2]. However, there is possibility that this manner of contacts with bank's clients makes damage to the most important part of relationship marketing that relates to personal contact with clients [1].

Customer relationship management enables branches to maximize the advantages of location and meeting the needs of clients who prefer brick-and-mortar branches – Figure 3.

Figure 3- Customer relationship management



Source : [5]

As can be concluded from already described challenges of banking marketing, users of banking services can be divided into the internet banking segment and brick-and-mortar banking segment. In the future period, a special significance will belong to share of strategic rather than strategic role of the marketing function and resolve of providing quality of banking service.

V. Conclusion

In the contemporary banking operations, the quantity of subjects in global terms is diminishing, but what is noticeable is the growth of large banks, and the growing practice of mergers and acquisitions. In addition, the urbanized markets are seeing cross-border consolidation and strengthening strategic alliances, where connecting does not pass on only to the subjects of banking operations, but also includes subjects from other areas, particularly telecommunications, which enhances the technology of banking to a great extent.

Execution of marketing in banking should make easy achieving sustainable competitive advantage on increasingly competitive financial markets. Marketing in banking should endorse building a recognizable banking culture and support reaching a high quality of banking services. Challenges in operating on contemporary financial market have resulted in the growth of the role and significance of relationship marketing, a comparatively new model in banking marketing, which enables retention of the existing clients by enhancing relations with them, and attracting new clients by intensifying marketing efforts aimed at meeting their needs and expectations.

Marketing practices in banking also point to a certain degree of duality of tasks: marketing activities are directed towards attracting funds, but also attracting the users of these funds. It must be borne in mind that banks operate at the same time on corporate markets and markets of end users of banking services. Implementation of banking marketing is burdened by high information asymmetry between service organizations and end users. Essentially, clients do not tend to possess particular specialized knowledge, and therefore, given the intangibility of financial services, they predominantly rely on quality based on experience and trust.

Modern banking marketing is also developing towards virtual banks and increasingly present electronic money, which may imply the emergence of non-banking services involved in provision of banking services. Finally, banking marketing walks in step with the universalisation of banking, with the importance of treating banking conglomerates ready to offer a broad spectrum of ever-innovating banking services.

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