Banking Marketing Mix Trends in a Digital Era

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Abstract: We live in a dynamic world, with everything changing more rapidly than perhaps ever before. Changes are simultaneously a cause and an effect in this world, triggered and affecting both companies (including banks) and consumers. Pro-activity and reactivity are key words. Adaptation of strategies, focused consumer targeting, extended usage of new technologies, rapid growth of online environment, breakthrough of social networks and smartphones, all represent factors that converge to one direction: a digital era, when companies/banks should focus on their clients' fidelity and have an in-depth understanding of their market in order to create a real competitive advantage.

Keywords: consumer behavior; online platforms; alternative communication channels; client fidelity

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1. Overview of Marketing Mix in the Banking Sector

The general understanding of the marketing mix is that of a set of instruments and techniques, used by companies to sell products and services in a profitable way. Alike any service field of action, the marketing mix presents, similar to goods, the very same well known 4 components: product, price, distribution/placement and promotion.

Evaluating the best marketing mix is actually reflected in achieving objectives and client satisfaction, meaning the performance attained through the best combinations of products/services, distribution systems, price levels and marketing communication that all together make the product/service more attractive than the competition's.

Still, […] in practice, the presence of all 4 elements is not necessarily required. According to Philip Kotler, the marketing mix is translated by „various levels relevant to marketing decisions at one point. " (Manole & Stoian, 2004, p. 87)

"Without any doubt, the product is the main component of the marketing mix. No matter how competitive the price, or how efficient the distribution or how inspired the promotion, should the product not meet the standards imposed by the market,

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the company will have no success in the long run. Among the main preoccupations of the marketing specialists in relation to the best offer of products and financial services, we include aspects related to the quality and performance of financial service, development and adaptation of products and financial service, finding ways to renew financial products and service by means of adding new features. The actual bond between producer/supplier and his consumer is the product/service offered, that has to satisfy a customer’s need beforehand, and also, to provide him satisfaction, perceived satisfaction. ” (Meghisan & Nistorescu, 2004, pp. 137-140)

It is extremely important to make the difference between satisfaction as a result of satisfying a need and perceived satisfaction, which, in an optimal scenario, also includes value added by the supplier and perceived by the consumer in relation to how his/her need, was fulfilled. The difference between two products or services identical as range (credit, insurance, mobile phone, detergent etc.), but different as brand (Unicredit versus Bancpost, Vodafone versus Orange, Ariel versus Bonux etc.), given constant or at least resembling the other three marketing mix elements policies, represents a pretty good example in this way.

In general, the price policy of a bank defines its attitude towards clients, by means of using various instruments related to the services or products it offers: interest, commission, taxes etc. That is why the paid price must be analyzed with that of the competitions and to clearly reflect a value associated to the utility perceived by a client. Banks elaborate various decision making variables depending the objectives: costs involved by the respective service, risk taken, competition, macroeconomic environment and stipulations etc.

“The distributionhas as main purpose to share products and services for the market, given optimal conditions. Presently, banks in Romania use their territorial network of branches, ATMs, POSs and informatics systems (Internet and mobile banking). When talking about distribution, it is not only logistics that is important, but also additional aspects such as studying buying habits, points of sale preferred by consumers, frequency of purchase, quantities purchased, criteria of selection etc. ” (Dedu, 2003, p. 204)

The choice of distribution channels can provide a strong and sustainable competitive advantage, as it is a real element of differentiation between companies in a sector characterized by product trivialization and price competition subject to restrictions.

“Promotion is represented by the process that banks follow to let clients know the features and benefits of the bank financial products using specific communication and boost sales tools. In terms of promotional aspects, the two main research directions are consumer opinions and suggestions on one hand, and comparing consumer perceptions and reactions relative to various media advertising on the other hand. For promotion we use various communication channels and public relations. ” (Cetina & Odobescu, 2007, p. 143)

The promotional policy is the only variable of banking marketing not subject to in force restrictions. At the same time, bank communication with customers is different from other service companies. For most of the latest, direct contact with the clients is only episodic, while the relationship between the bank and its customers is continuous. The bank’s profitability is built on consumer loyalty, both depositors and borrowers. The promotion policy is also the only weapon that can be better handled by the bank and whose implementation faces challenges related to bank complexity in terms of marketing policy.

Because services are intangible goods, buyers are looking for various more tangible criteria to help them better understand the respective service. These particular features result in including some additional variables for effective communication with customers. As a result for the banking sector, the relevant literature (Ennew & Wright, 2000) emphasizes two new elements in the marketing mix:

- The staff providing services, that has the ability to know and understand the customer’s needs;
- Physicalevidence, financial aspects related to the activity.

According to Philip Kotler(Kotler & Armstrong, 2003), the starting point in studying consumer’s behavior is the stimulus-reaction model, according to which a series of marketing incentives, but not only, enter the consumer’s black box and triggers certain reactions.

The marketing incentives are in fact the four Ps of marketing mix: product, price, placement and promotion. Incentives, other than marketing ones, refer to economic, technological, political and cultural aspects. These categories trigger a series of reactions on behalf of the consumer, such as the product chosen, brand, distributor, moment of purchase and quantity.

The process of transforming incentives into reactions is built on two phases: first, consumer features influence the way he or she perceives these incentives and secondly, the decision making process itself influences the consumer’s behavior.

2. Market Reactions – Effects in Banking Consumer’s Behavior

A mirror image of the financial banking market changes and the reaction of individual consumers can be built based on the expressed needs and desires of the consumers themselves. Having an accurate understanding of what affects the banking consumer’s behavior is of utmost importance in terms of their retention and fidelity.

On the retail segment, changes in the actual consumers' behavior related to banking products and services have been evident even since 2006, a milestone in terms of aiming at a mature image of our banking market, of course mature in a limited perception, meaning a wide offer and focus on having more flexible procedures.

If in 2005, the in vogue products where salary and car loans, in 2006, the star of the show for the banking system was the personal needs loan, that has gone through several significant changes itself: first, having co-debtors was no longer a condition, providing documents for the usage of the loan was also eliminated, loan periods and amount limits were extended, more income sources were acknowledged by banks, loans could be refinanced, more product options were developed by banks, including a significant personal needs loan with mortgage insurance, that could actually compete with mortgage loans on the market.

2007 was also rich in changes, as a result of banks' strategies to increase the product's life cycle, by means of extending the range of incomes acknowledged for granting a loan, including refinancing from the same bank.

Banking cards were next in line in terms of products in the spot light. 2004-2005 was a period when debit cards were used by Romanians to get their salaries, yet salaries were withdrawn from ATMs, "for safety purposes", as the population had little trust in the system and felt no confidence in using them. There was no habit pattern or education in using cards.

Credit cards, more and more diversified, led to replacing small value personal loans and were requested by clients mostly to cover "unexpected situations" or to have more money for vacations expenses. A niche product was the co-branded card, similar to the loyalty card issued for companies with a high number of employees and serving both as banking card and job access ID.

On the retail market, during the past years, one important change refers to a significant increase of the usage of cards for shopping goods and services. As such, by year end 2011, the number of issued cards, including co-branded ones, reached over 35 million.

Consequently and related to the card activity, the number of owners using the card for Internet transactions also grew significantly. For 2012 alone, the market is estimated to reach 5 million transactions, with 30% more than in 2011. Such an increase is huge in terms of market changes of habits and pattern of usage. No other product in the banking market has ever registered such a push. In terms of Internet buying volumes, the value is estimated at Euro 250 million, with an average transaction amount close to Euro 50. For comparison, in 2011, the value of transactions was around Euro 200 million[1].

In terms of motivations for online shopping, users respond to special offers, discounts and low prices. The most popular products purchased in online shops are mobile phones and accessories (29%), and in case of biddings, computers (39%) seem to be the most appealing.

The cards market will continue to grow as new technologies are used in everyday life. An example as such is the card with chip, replacing more and more the magnetic cards, so as to ensure higher security levels for data and transactions and therefore to answer consumers' need to feel their funds safe and secured.

Any company, regardless of the field of activity, must focus first on existing clients' fidelity and secondly on getting more clients. Banks make no exception. And along time have proven to be able to develop interesting methods to maintain their clients. It is true they started again from cards, but there's a good explanation for that: cards involve a lower amount of money; therefore the "price" behind the client-bank relation is less burdening on the consumer's decision making process and financial effort, which actually leads to a less discomforting debt idea for the consumer. So, in terms of working on clients' fidelity, for credit cards for instance, banks grant an extended "grace period" of up to 60 days in Romania, a higher credit limit and various benefits when shopping at certain partner stores.

In Europe, the co-branded and affinity cards percentage reached 22% of all credit cards even since 2007, whereas in the USA it was more than double: 45%. The most frequent fields of activity of co-branded cards partners, according to consumers' preferences, supermarkets and gas stations rank first and second, whereas on third place, men point out electronic devices stores and women point out those fashion related[2].

Card owners want their cards to be unique by design and to be different from others. According to a worldwide research performed by MasterCard, individual clients and small entrepreneurs show a significant amount of interest towards services to personalize cards. According to the study, up to 70% of individuals and 85% of small entrepreneurs want a personalized card. And apparently, having a personalized card would also determine up to 33% users to increase their frequency of usage.

[1] Editorial room, www.evz.ro, retrieved from http://www. evz. ro/detalii/stiri/romanii-fac-tot-mai-multe-tranzactii-online-crestere-cu-30-in-2012-991484.html, date: 11.07.2012.

[2] Editorial room, www.bankwatch.ro, retrieved from http://www. bankwatch. ro/2010/07/cum-pot-fi-fideliza%C8%9Bi-clien%C8%9Bii-bancilor/, date: 02.07.2010.

According to a Global Consumer Banking Survey[1], clients tend to exert a high control over their relation with banks, becoming less loyal to the main bank they work with, and more willing to work with several banks in the same time. According to the results of the study, globally, the number of clients that work with one bank only lowered to 31% in 2012, from 41% in 2011, whereas the number of clients working with two or three banks increased from 21% to 32% in the same time period. The multi-banking trend seems to have been mainly triggered by the clients' desire to obtain better rates (34%) and better banking services (34%).

In other words, they may chose a bank to get a loan based on interest rates, whereas for a credit card or Internet banking services they would chose the bank based on the quality of service. We can try to draft a consumer's decision making around: " when it's money I have to pay involved, it's best I look at costs, when it's quality service and better understanding and attention I get, it's best I chose a bank I like".

Globally, only 44% of clients state that the banks they work with adapt products and services so as to match their needs and requirements. 70% of clients would be willing to provide more personal information if by doing so, they would actually get better service.

In other words, clients are willing to built and invest trust in their relation with a bank, provided the bank responds to their needs and treats them individually, more than a name in the data base.

Given comfort and accessibility regardless of hours, Internet banking is becoming more popular among clients performing simple transactions. And again, this type of service seems to have been favored by banks in terms of applying strategies for their clients' fidelity. 27% of respondents in the study performed by Global Consumer Banking Survey they are already registered for such a mix of services, which is 50% considerably higher than in 2011.

According to the same study, the majority of consumers (71%) rely on references from close friends for information on banking products and services. Banking websites that help consumers with comparisons between products, websites that were almost inexistent five years ago, seem to rank second in this top of information preferences and have an influence over clients' decisions, way more than banking consultants do.

We may assume this may be due to proximity, time and at hand solutions, or with objectivity, transparency and degree of banks' front office quality staff.

[1] Ada Stefan, www. incomemagazine. ro, retrieved from http://www.incomemagazine.ro/articol_78548/tot-mai-multi-clienti-vor-sa-si-schimbe-banca-afla-de-ce.html, date: 28.06.2012.

Social networks are also used for interactions with banks. One third of clients use social networks to comment on various services and even to share information with friends.

And again, we may assume this has to do with the daily frequency interaction rate that favors close friends, proximity and lack of rigid language, because on social networks the communication is less corporate and more consumer friendly. This is rather important, because people don't have a high education in terms of banking terms and fear or avoid asking when they don't understand. In addition, the degree of Internet usage rate has grown significantly in the past years, and trends do show a high concentration towards online, for almost everything.

3. Technology Trends on the Banking Segment

Like all market segments nowadays, banks are going through an adaptation process, triggered both by changes in the economic environment and technologies. Financial-banking institutions focus their activity on classic banking operations and adopt new business models, based on their relation with the client and focusing on obtaining his fidelity. On the other hand, the development of technologies determines banks to adopt new solutions and to integrate them in the already built architecture of distribution channels for service and products.

Given the present context, some technological trends in banks may be noted, including for Romania: solutions for the new mobile environments such as smartphones, tablets etc., their integration with existent technologies, social media, clients, central point of strategies, and analysis of increased heterogeneous amount of diversified data.[1]

The Internet has changed every day life of consumers and as a result, their behavior towards banks and all industries actually. The rapid spread and usage of new technologies, speed of usage of smartphones, increase of time spent online, all are highlights of these trends.

Present day's consumer has multiple methods to interact with his bank, from Internet, to mobile phones, social media etc. The rate of internet banking breakthrough has doubled in EU countries, from 19% in 2003, up to 40% in 2010.[2] When it comes to internet banking, Scandinavian countries have the highestbreakthrough rate of over 70%, whereas Eastern Europe countries still have lots of room to grow.

[1] Bogdan Popescu, www.efinance.ro, retrieved from http://www.efinance.ro/articol.php?id_revista=201202&id_sectiune=epayments&ordine_sectiune=1, date: 05.04.2012.

[2] Editorial room, www.privatebanker.ro, retrieved from http://privatebanker.ro/archives/4826, date: 23.01.2012.

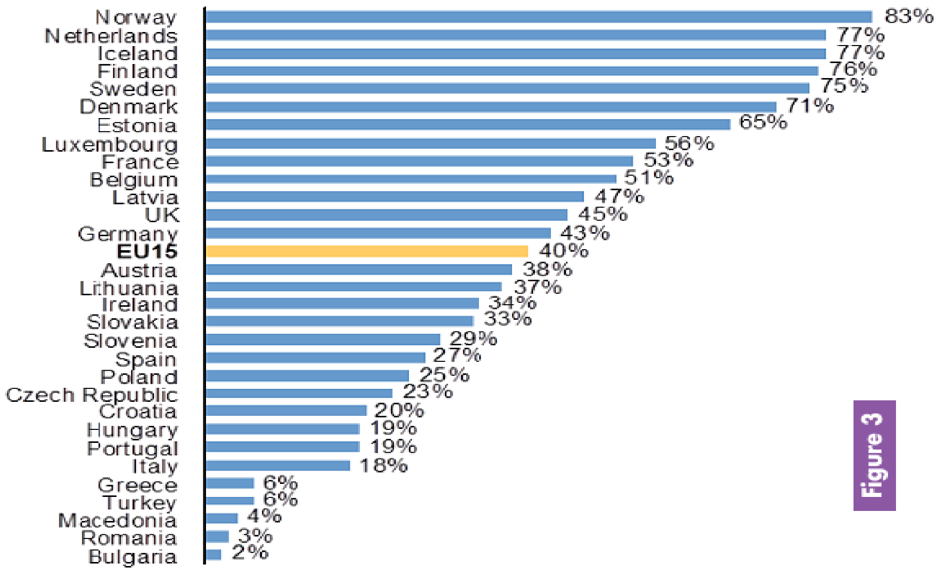

Figure 1. Internet banking breakthrough rate in various countries[1]

The evolution of transactions performed by Romanian clients over internet baking shows increasing volumes. On the other hand, the market goes through a polarization process, as up to Euro 2 billion annual transactions are processed by two banks alone (ING Bank, BCR Erste Bank), and other 2-3 banks have volumes close to Euro 1 billion (Unicredit Tiriac Bank, BRD Groupe Societe Generale, Banca Transilvania).

Along with the growing popularity of smartphones, banks have proven interest in implementing mobile banking solutions. The first step was to adapt online banking solutions to mobiles such as iPhone and Android. Even if still a niche business, the mobile banking has a huge potential: it's easy to use, with immediate access, anytime, safe and secured.

The advantage of mobile banking is obvious: first, the comfort, an always welcomed bonus in the fast forward pace of today. Second, the possibility to perform transactions directly from the mobile phone that is a time saving and at hand solution for any client. According to some social research, it seems a user knows he doesn't have his phone with him in the first 15 minutes, as compared to four hours in the case of the wallet.

In Romania, the high breakthrough rate of mobile phones, along with an increasing number of smartphones (estimates are around 2-2.5 million) have started affecting

[1] Editorial room with Eurostat data, www.privatebanker.ro, retrieved from http://privatebanker.ro/archives/4826, date: 23.01.2012.

consumers' behavior and guide them toward using smart technologies for a series of activities: online shopping, banking operations, media consumption etc.[1]

Almost all banks in Romania reward their clients with the smartphone internet banking application for iOS and Android. Banking apps for smartphones offered by ING Bank, Raiffeisen Bank, Banca Transilvania, Citibank, Nextebank, Millennium Bank and Garanti Bank are free of charge and work on both platforms. These apps support operations such as balance account check, money transfer, loan simulation, deposit simulation, currency exchange calculator, interactive maps of bank's ATMs, as well as invoice payment by means of bar code scanning with the photo camera.

Tablets are the youngest channel used by banks to address clients' needs. The rapid growth of sales registered by this product forces banks to target clients using tablets, offering tailored services for this gadget as well. A new trend in the banking sector shows clients reducing their degree of interest in emails in favor of message centers such as secured web portals. The switch of communication towards such a platform has greater benefits, including lowering the phishing attacks rate. Several banks use emails as information support for marketing campaigns or account status, having links and text within the email body, which makes it very difficult for clients to make a difference between accurate bank message and fake ones, phishing attacks. It is not only clients that are targeted by such attacks, but also bank employees. It did happen that banks were caught off guard and unprepared for such attacks.

That is somewhat in favor of mobile banking solutions, because they bring value added in terms of service provided to clients that value time, resources, low costs and maximum of efficiency. The biggest challenge for banks is that of educating clients towards using alternative channels for banking service and products in order to make the best of use of them. Another challenge is that of a relatively low number of users as compared to the bank's initial big investment, which actually prevents this field to develop at full capacity. Mostly, despite the usage of smartphones, the extent to which mobile banking is to develop depends on the growth of mobile traffic, speed of transactions via mobile phone and security level provided to clients.

As a conclusion, we can sum up a number of five major trends in terms of banks development towards the digital environment:

1. Improvement of usage experience by means of implementing interactive interfaces, similar to electronic games, to ease the migration between

[1] Alexandru Ardelean, www.revistabiz.ro, retrieved from http://www.revistabiz.ro/dam-banca-pe-mobil-597.htm, date: 07.06.2012.

virtual and offline environments, allowing clients to easily access financial information;
2. Development of mobile platforms and connection technologies, to facilitate safe access to banking services regardless of location;
3. Extended use of social networks, allowing both clients and employees to interact, empowering the clients more than the bank's rigid messages;
4. Extensive usage of analysis tools to understand consumers' needs and desires, looking more in depth for consumer behavior patterns and allow specific targeting;
5. Integration of new channels (online, mobile etc.) in order to facilitate a continuous communication between the client and the banking services supplier, on various platforms in the digital environment.

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