



# Journal of Economics and Business

**Linh, Do Hoai, Chau, Le Phong, Anh, Khuc The, and Thuy, Do Thi Thu. (2019), Digital Marketing in Banking Activities - Suggestions for Vietnam Banks from International Experiences. In: *Journal of Economics and Business*, Vol.2, No.1, 55-60.**

ISSN 2615-3726

DOI: 10.31014/aior.1992.02.01.66

The online version of this article can be found at:  
<https://www.asianinstituteofresearch.org/>

Published by:  
The Asian Institute of Research

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# Digital Marketing in Banking Activities – Suggestions for Vietnam Banks from International Experiences

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## Abstract

Based on the innovation of science and technology in a fierce competitive environment, digital marketing has emerged as an inevitable trend for businesses with no exception from banking areas. With the target of reaching out and providing services to progressively demanding customers, current marketing tools need to be further improved to create the best interaction. Hence, the authors aim at clarifying the concept of digital marketing, which is a new trend in banking development globally, followed by experiences as well as proposing suggestions for banks in transitional countries such as Vietnam.

**Keywords:** Digital Marketing, Internet, Direct Interaction

## 1. Introduction

Among several tools of marketing, Vietnamese enterprises focus most on digital activities, 84% spend their cost for advertisement on a social tool. Hence, with the surge of information technology development, which created the social networking boom in everyday life, led to new shifts in marketing to adapt to the lifestyle of a part of the population, especially the younger generation. Pham Hong Hoa (2013) recognized online channels such as mobile phone, email, and social networks to become more popular to reach customers. In the past ten years ago, electronic transactions in the banking sector have been increasingly promoted to save time and transaction costs for banks and customers. Moreover, the roadmap for opening the economy has intensified competition among institutions in banking more than ever. Under the pressures to promote images to customers and target market segments, domestic banks have been overshadowed by their international competitors such as HSBC, Citibank, ANZ, etc. The fundamental cause behind lag is the inadequate attention of banks on developing digital marketing, which is one of the direct marketing methods to access consumers through advanced information technology. Based on the desk research method, this study focuses on the concept of digital marketing in general and digital marketing in banking in particular, its development trends, thereby producing some implications for commercial banks in Vietnam.

## 2. Overviews of digital marketing in banking

### Digital marketing

Technology is integrated into human life more than deeper and wider than ever before. Traditional marketing can no longer reach people, so that, digital marketing is an immediate way to help service providers to grasp market which is becoming more complex and complicated. Accordingly, of development on the international market, digital marketing has caught the attention of many researchers. Kotler (2003) suggested this as part of Internet marketing, which focused on the planning of products and prices, as well as the distribution through electronic tools. The concept of digital marketing, from this viewpoint, remained vague and shared certain overlapping with Internet marketing. Dave Chaffey (2012) defined digital marketing as the management and execution of marketing by using electronic media such as the web, e-mail, interactive TV, wireless media in conjunction with digital data about customer characteristics and behavior. This perspective extended the storage of customer records via digital data, which would be a valuable source for every business while developing new products for certain market segments. According to Damian and Calvin (2009), digital marketing involved the use of digital tools, not only the phone, email and website, but also all social networking websites like Facebook, Twitter, among others, to promote images to customers and sell goods and services through online sites as Amazon. This definition emphasized the advancement of corporate images and approach to consumers through sale. Kent and Ian (2009) discussed "Digital marketing is the future evolution of marketing. It takes place when the majority or all of the marketing channels in the company are digitalized. Digital channels are the approaches allowing marketers to have continuous, bilateral and personalized communication with each client. This communication generates data from each interaction with clients to forecast for the next contact, similar to a hub network. In addition, marketers constantly use real-time information on customer behaviors and direct feedbacks to improve and optimize the interactions". Thus, Kent and Ian considered this as the future trend of marketing and emphasized the direct interaction with customers. Among researches in the country, the notable study of Pham Hong Hoa (2013) should be taken into consideration. This is the compilation of previous studies, from which digital marketing is concluded as Internet marketing. The most common features are marketing tools based on digital technology and internet-based interaction, including computers, interactive television, and other electronic media.

### Studies of digital marketing in banking

Costas (2010) believes that digital marketing is an inevitable development trend in the banking industry. By 2010, the Young generation used the Internet extensively, with 61% of teens ages 12-17 having an account on social networks, and 42% experiencing daily use. Reaching out this potential segment, 50 Greek banks opened accounts on Facebook to better address complaints and queries as well as communication crisis. The study of Susan Marshall (2015) on digital marketing at US banks also shared this opinion. The research carried out by Cognizant (2016) showed the trends of customers, and the use of electronic wallet was more popular when the data storage of banks expanded. Therefore, to access and serve customers, banks need to innovate a more appropriate way, which emphasizes direct interaction, rather than focusing on traditional marketing. Currently, Y Generation (born from 1977 to 1995) and Z Generation (born after 1995) use the internet progressively, especially for specific utilities in the banking sector such as (1) instant search, and (2) travel expense saving. However, this also brings disadvantages when customers easily move to other banks. Given this context, banks are required to develop an appropriate digital marketing strategy in line with the growth of science, technology, and markets, by digitizing data and strengthening the digital marketing on social networking websites, besides the hotlines, to respond the needs of customers.

Wipro and Efma (2013) showed the expectation from all customers to use electronic services for time, and money saving, specifically over 70% of customers in commercial banks use at least one online tool to mainly looking for information on banking services through (1) social networks such as Facebook, Twitter, and even Amazon; and (2) advertisements on online newspapers; besides the benefit enjoyed by customers, digital marketing is advantageous by removing communication costs for banks. In particular, advertisement expenses declined from 55% to 49%, plus lower costs in other related activities such as promotion by using online websites like YouTube

instead of advertisement on TV. It is also discovered by Wipro and Efma that banks have more contact with customers through websites than the brick and mortar offices in retail banking. Similarly, Olanrewaju (2014) revealed that currently, European banks were shifting from traditional to modern banking services through digital technology, which allowed them to gain 30% of total revenue and drop 20 to 25% of their labor and processing costs.

As pointed out in Pham Hong Hoa (2013), currently, commercial banks in Vietnam have been well founded for digital marketing, i.e., the number of Internet users in Vietnam was high (above 70% of people born after 1975), and businesses were already connected to the Internet with facilitated information exchange. This new marketing tool helps banks to better outreach customers by exploiting the tremendous data storage. Some active bank managers have innovated multiple ways to access potential customers. Based on its findings, the research proposed a two-step digital marketing model. First, a marketing environmental analysis is adopted, consisting of macroeconomic analysis, customer analysis, and competitor analysis. Digital marketing was emphasized as an integral part of the whole marketing process of banks. All data sourced from banks must be consistent with the general information given from the beginning but updated regularly. The second step involves a digital marketing mix with three levels of a product, and the core product should be offered via the Internet. The pricing policy needs also be flexible because both banks and customers are able to cut time and money costs.

### **Stock taking of digital marketing application**

As more clients use digital networking platform, it is necessary for banks to serve digital banking products as well as digital marketing tools to win customers. As in 2017, 34% of financial institutions allocated 50% or more of their media budgets to traditional media. As was the case last year, there was a lack of commitment to digital channels, with only 15% of organizations committing more than 50% of their budgets to online media, compared to 14% in 2017 (Marous, 2017). Banks around the world, being supported by information technology and online habits, have initiated new ways of marketing.

*First*, a large number of customers have been accessed and engaged in through the media. The data on customers with both successful and rejected transactions and newly established firms have been recorded on electronic files. In particular, Bank of New York has data of customers, containing their personality characteristics (e.g., religion, personalities and work place) as well as current and potential needs. Moreover, bank employees have accumulated personal information of customers to have better interaction and improved services. Benefiting from this large database, banks would save costs related to new staff training and create their own identity.

*Second*, retail banking has been reorganized. In wholesale banking, banks may follow the traditional model to approach and provide services to customers by searching, meeting, negotiating and signing an agreement with them. On the contrary, customers of retail banking are mainly small and medium enterprises, even micro enterprises, and individual customers, who usually do not want the access to multiple banking services, simply because there are too many communication means while "customers do not know what service would work for them" (Marshall, 2015). Customers may be introduced to several products at once, which cause confusion, by the same communication mode such as TV advertisement or e-mail. Therefore, the new marketing model allows customers to experience cross-selling services from a product rather than numerous products at the same time. This approach permits banks to spend less marketing costs for the expected revenue given the same number of products. Cross-selling products offered by large banks of the world for retail customers include advisory service, mortgages, personal loans, deposits, (domestic or international) payment accounts, and bancassurance, among others. Exposing to these product packages, customers would assess the quality of bank services and make their decision more easily.

*Third*, mobile applications have been created in app stores of phone devices. Online marketer recommended that access via TV, email or phone, as of the present time, almost one-way in nature from bank to customer that cannot bring the interaction between parties. Meanwhile, the majority of bank customers have an account on social networks and an electronic device connected to the Internet. As a result, several major banks in the US and Europe set the "App Store" to facilitate customers in their online transactions. In addition, the "fan page" on Facebook

may be helpful to optimize responses to questions from clients. Nonetheless, marketers did not mention how to manage these social networking websites and connect to the help desk.

More importantly, banks themselves must change thinking about banking products and services. Marshall (2015) asserted that the era of providing products and services directly to customers through physical branch passed. Now the distribution needs to go through virtual channels in order to save time in the best way possible. Digital marketing, as an integral part of bank development strategy, should be the best support tool for service virtualization. Digital marketing services cannot be evolved if banks remain offering traditional services to a large number of customers, who have growing demand and less time availability.

### **3. Application of digital marketing in Vietnam and Suggestions**

Currently, the legal framework for e-commerce development in Vietnam has been formed through a number of documents such as the Decision No. 1073/2010/QĐ-TTg approving the Master Plan for Development of E-commerce in the period 2011 – 2015. Banks in Vietnam are legitimately enabled to apply digital marketing for seeking a new segment, Generation Y. Also, the announced retail market development strategies from foreign banks, including HSBC, Citibank, and ANZ, have put domestic banks under pressure to restructure their operations. As of July 31, 2016, there are 34 commercial banks active in Vietnam. All banks built e-portal and initiated virtual services, namely online savings and online bill payment, with help desk support. This is the premise for customers to have the best access to financial services.

At present, banks mostly focus on (1) advertisement on television as the most common mode, and hardly deploy online advertisement in YouTube or Facebook, which are highly rated by the younger generation; (2) advertisement on other media such as newspapers, online newspapers, which are carried out by branches following instruction from headquarters and in effective due to lack of direct feedback from customers in the desired segment; (3) emails or phone calls made to customers using data collected by branches or websites providing business data. This approach is more effective in communicating with the targeted customers, as well as promoting their image, though bringing mail spam or annoyance to customers sometimes; (4) large online networks established by some branches for communication, which are not significant in number and effective in customer search. The networks mainly set up by individual staff without guidance from bank managers.

Besides the promotion of service digitization in some banks, others keep on offering traditional services. They stick to tradition because the customers have not been familiar with digital services. It is worth noting that the customers of traditional bank services are wealthier than those using a virtual bank, creating a barrier against the wide application of electric mediums. Not only are those virtual services more costly than traditional banking, while generating less revenue. So far, the actual achievement of e-commerce has been far below targets, despite the enabling foundation (Pham Hong Hoa, 2013). Suffering from the less developed virtual banking and technology platforms, digital marketing in domestic banks has not been as effective as their foreign rivals, leaving an absence of a direct interaction between service suppliers and clients.

#### **Suggestions for Vietnam banks**

According to the statistic of Q&Me Vietnam Market Research, Facebook is the most popular media that almost all enterprises have the account. YouTube follows after that. 99% of the brand use Facebook for their digital marketing. YouTube is also high, as 72% use it. In addition, the objective of Facebook advertisement is for the performance. 87% of the brands have run Facebook ads for the last 12 months. The biggest objective is the lead generation. 78% use it for "increase number of inquiries (email, information request)" followed by "Increase Likes/followers." Social ads are linked to performance marketing in Vietnam. Therefore, to stand firm in an increasingly competitive environment, the players should keep up with the global trend by changing communication modes in reaching out customers.

Firstly, a home page of banks should be well designed. Banks around the world have designed their websites for a long time. Access through the home page has been one of the popular trends in digital marketing since the introduction of websites. At present, all banks in Vietnam have their own home page; however, their use is still limited. Despite the separation among services, the demonstration of core services or typical impression of the bank has not been shown clearly. Banking services provided on the website have not been highlighted and shared many common features. In some key services such as deposits and loans, which have the same core values, promotions, cannot be distinguished plainly. This makes consumers difficult to choose services in smaller banks due to their use habits in large banks. Therefore, it is essential to highlight the core services on the bank's website. Furthermore, the corporate social responsibility programs are shown in an eye-catching and concise format by international banks (usually less than five minutes long with completed images). On the contrary, banks in Vietnam tend to place these programs, which usually last more than 30 minutes and make visitors difficult to follow, in a sub-category. Finally, unlike the international competitors, few domestic banks post in the home page the information about (1) branches by location and address as "geographical indication" for customers; and (2) hotline for complaints or queries. Without addressing these two limitations, banks would fail to impress customers on both traditional and virtual networks, and satisfy the needs of clients, especially in media crisis resulting from the spread of pressing issues across social networks.

Secondly, the current digital marketing, which has extensively concentrated on television and newspapers, should gradually shift to other channels such as social networks or other highly interactive channels as YouTube or Facebook, to enhance the banker-customer relationship. A number of bank branches have created their page on these channels, though planning is a must. Banks in other countries locate a separate department to distribute their image to the public via YouTube or Facebook. Nonetheless, this practice remains missing in Vietnam. This suggests the need to establish a network connection between clients and bankers, which allows a direct interaction among them, to meet their needs best.

Thirdly, banking services may be promoted by emails. Currently, banks around the world store customer data in their internal information system. Some clients, who are infrequent or no longer service users, should be contacted via e-mail, instead of direct calls. Some banks, as Bank of New York, has targeted at students, rather than income earners. This fact indicates the need to access students in Vietnam, who might be future clients and tend to use more electronic payment. E-mail contacts, especially with the potential customers, help to distribute service information more efficiently. So far this approach has not been executed uniformly yet, and mails are usually found in the spam box of receivers.

Fourthly, marketing should be introduced on mobile devices. This is critical to the shift in distribution channels of banks and simultaneously meets the requirements to create mobile applications. In addition to the electronic wallets that have been deployed by a small number of banks, services as Internet banking and SMS banking are currently provided by another application of smartphone. Thus, banks, especially those lacking ATMs, must build these applications in the app store of mobile phone companies to save time for users. Besides, other programs should be sent to customers to show gratitude and improve service quality concurrently.

Conclusion, this would be an effective marketing tool in commercial banks in Vietnam in the coming time, especially for Generation Y and Z, which are characterized by youth, modernity and dynamic. The proper investment and application of digital marketing will certainly narrow the gap between bankers and customers and help banks to achieve their marketing objectives better.

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