

STRATEGIC VIEWS REGARDING THE RELATIONSHIP MARKETING APPROACH AND THE TRANSACTIONAL MARKETING APPROACH WITHIN THE FINANCIAL AND BANKING SEGMENT

Asist. univ. drd. Alina Filip, Prof. univ. dr. Nicolae Al. Pop
Academia de Studii Economice din Bucuresti

Abstract. *The study discusses the strategic aspects of relational marketing in the financial and banking sector, from the point of view of the influences the field is subject to, and based on the theoretical advances in the domain. The maintenance of the relationships with the present customers, as well as the future oriented attempts to gain new clients are critically examined, in the context of a field where “a banker’s word is a banker’s bond”.*

Key words: relationship marketing, financial and banking sector, strategic marketing

The orientation towards a relationship marketing has been promoted as representing the most recent stage in the development of the marketing theory; nevertheless the relationship strategies, although valuable in a series of circumstances are not adequate and therefore can not generate substantial benefits under any type of market situation. The logical consequence of this point of view is that some activities remain to be further better administered with the help of a transactional marketing approach, which implies that the organizations will have to resort to a portfolio of strategies which summarizes not only relationship strategic variants but also transactional ones. According to Gronroos (1997, p. 408), the basic idea does not rely on the feasibility of a relationship strategy or of a transactional strategy but rather on the evaluation that the company carries out regarding the profitability and the applicability of a relationship strategy against a transactional strategy. Hence, the choosing between the one or the other demands the existence of an economical justification, concerning the benefits that it brings to the client and to the company. Similarly, Moller and Halinen (2000, p. 43) admit that one meets exclusively relationship or transactional variants extremely seldom. A more adequate description of the discussed situation is better accomplished through the utilization of a “continuous strategies spectrum” which incorporates different intensities of a complex relationship marketing approach (no doubt of a transactional marketing approach as well). Within this continuous spectrum (see fig. 1) one will place the relationship marketing to one extreme point, and the basic orientation will consist in the building of relationships with the clients and other interesting partners (the main element is the collaboration); while at the other extreme point one will find the transactional marketing, with a short term focus and time isolated transactions (the main element is the competition).

According to Grönroos's statements (1994b, p.11) , the type of industry where the selling or purchasing actions take place has the nature of influencing the position of the organization along the strategies spectrum. Hereby, on the leftmost side one finds the final user or the consumer-market, for which a marketing-mix based approach is suitable, following the existence of discrete transactional exchanges and of a demand that is characterized through a high price-elasticity and –sensitivity, in comparison to the buyers' intentions to form long-lasting relations with the offerer. Customer binding strategies do not show high potential in the context of mass-marketing, as they are more adequate when there exists intense contact between the clients and the organization, more specifically on the organizational markets and within the service segment. At this level one will use traditional measures as these: the evaluation of the technical quality of the results and the monitoring of the market share. The opinions of the buyers can be determined with the help of ad-hoc researches, and the face-to-face contact is limited. The internal marketing activities do not represent a managerial priority. On the rightmost side one finds the distribution segment, the business and service markets which are supposed to mostly benefit from the application of relationship strategies.

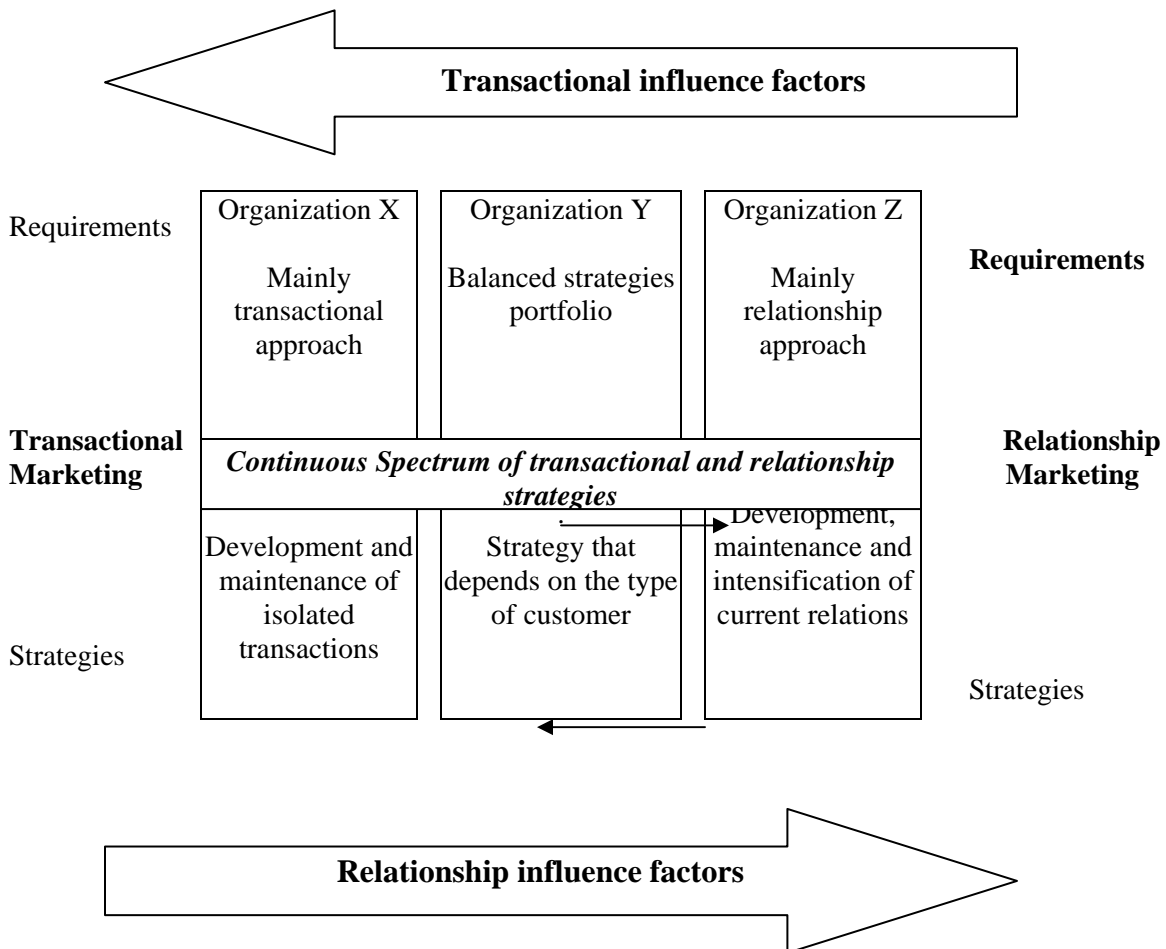


Figure 1. The continuous spectrum of transactional and relationship strategies or the portfolio of strategic variants th the disposal of the organisations

Source: Adapted after Egan, J. (2004, p 86)

Basic ideas are this time the long-term vision over the business and the usage of an interactive approach which will allow the development, maintenance and intensification of the relations with the present customers. At this side of the spectrum, the demand is rather price-inelastic, since customers are looking for benefits which can be delivered by means of a relation with a certain supplier. The main evaluation criteria of marketing activities consist of the quality on the interaction with the clients and of the efficient administration of the organization's client database. The client's feed-back, as part of the interaction, is produced in real time, as it is continuous. The interface with the customer is essential (it is also called "the moment of truth"), reason for which the internal marketing acquires a higher importance.

The relevance of the criteria related to the particularities of the industry should though not be exaggerated, with the meaning that statements of the following type should be avoided: companies in the field of consumer-goods will never benefit from the relationship strategies or that companies in the service, distribution and business to business field will always have a gain when using these strategies. The mentioned criteria is rather a starting point, and the spectrum concept or the strategies portfolio suggest the fact that although relationship strategies can be very appealing for a series of products, services and markets, there are also situation when their applicability will not be adequate (Palmer, 1996, p. 18). Therewith, the reaching of success within the business environment is not guaranteed by the application of the relationship strategies. Gronroos mentions that, the more the organizations draw themselves away from the transactional situations, the more the market expands beyond the basic product or service, as the need of investments in interactive marketing activities exists.

At the same time, the author highlights the existence of different implications of the marketing activities along the strategies spectrum, which concern especially (Gronroos, 1995. p. 257):

- the dominant marketing orientation
- the predominant quality function
- the informational system with the help with one administers the relationship with the client
- the interdependence between organizational functions
- the role of the internal marketing

The dominant marketing orientation. The relationship marketing literature suggests the fact that marketing should not be limited to the activities within the marketing mix and that this process should not be the responsibility of only one department. As far as the transactional marketing (TM) is concerned, the role of the personnel outside the marketing department is negligible, and the activities like advertising and sales-promotion techniques consisting of price reduction form the key-points of this measure. These elements are present also in the case of a relationship marketing (RM) approach, but one uses them to support the interaction to the customers and the internal marketing strategies.

The predominant quality function In the TM an acceptable result regarding the quality can be enough for the company to achieve its market objectives. In the RM, although the technical quality must be adequate, this is not a sufficient requirement, as there are more dimensions that are related to the qualitative performances of the

organization. More accurate, all the interactions within the organization support the clients' opinion regarding the quality of the offer.

The informational system An organization that acts according to TM principles will normally have a limited direct contact with the customers, and will therefore evaluate the behavior and attitude of the clients with the help of statistics, monitoring of the market share and of ad-hoc studies concerning the customer satisfaction. An organization that applies the RM will monitor the satisfaction by means of continuous contact and direct management of the present customer data-base.

The interdependence between organizational functions In the TM the marketing department fulfills the responsibilities related to the marketing function of the company; while in the RM, the interactions that are particularly produced between marketing, operational activities and human resources become critical for success achievement.

The role of the internal marketing According to Gummesson (1999, p.5), the training of "part-time marketing people" to fulfill specific marketing objectives becomes an important part of relationship strategies. The challenge for the organization is to apply a proactive approach with the purpose of obtaining the necessary engagement towards the development of a marketing orientation among all the employees. The involvement in the achievement of such a TM objective is limited.

A logical consequence of the exposed ideas refers to the fact that market factors determine, to a certain moment in time, the value and implicitly the right choice between relationship and transactional strategies. The internal decisional process regarding the choice of the optimum strategic variant will be influenced by a series of endogenous or exogenous factors, which are synthesized in Table 1.

Table 1. Factors that influence the application process of relationship or transactional strategies by the company

Factors that promote or determine the choice of relationship strategies	Factors that promote or determine the choice of transactional strategies
The high costs implied by the acquisition of new customers compared to the maintenance (keeping) of the existing customers	The existence of an insignificant difference between clients acquisition and client retention costs.
The perception of a high risk during the acquisition of products and services.	The perception of a low risk during the acquisition of products and services.
The experience of an intense emotion by the customer in the exchange relation	The low involvement of the customer in the exchange relation
The existence of trust and engagement requirements	The existence of trust is enough for an exchange to take place.
The need for a close relationship between the client and the organization.	There is no perceptible need regarding the closure between the parts.

Source: Adapted after Egan, J. (2004, p. 90).

The financial products are the best examples of mainly services based offers, which are characterized by a high degree of intangibility and complexity and which have a high level of variability, depending on the market situation context, type of demand,

delivery style, duration and significance to the client. Due to the particularities of the financial banking offer, in the specialized literature, one reached the conclusion that the RM approach is applicable especially within this activity segment. The specificity of financial services is mainly given by the high risks and by the long-term relationship, as the involvement of the client is essential for the service delivery process (Ennew, C.T., Binks, M.R., 1996, p. 7).

The concept of the continuous strategies spectrum involves the existence of an optimal position (not always can be determined), since the success of a company depends on the balance which this establishes between the relationship and transactional strategic alternatives to which it resorts to. This balance point can only be temporary, because the previously mentioned influence factors change constantly. The existence of the changing circumstances determine an instable area or a danger area for both parts of the optimal position, following the calculation difficulty or even impossibility at a certain time of the results generated by the different relationship or transactional strategies. The main risks in this case can be described as it follows:

- in the leftmost side of the spectrum (TM), one would not be able to recognize the customer's wish for a higher level of involvement on the side of the organization (the need for customer service type activities)
- on the rightmost side of the spectrum (MR) one would overestimate the qualitative level of the services that the customer expects, and as a result the client would migrate towards a competitor that offers a lower qualitative level to a lower price.

A possible solution which will preclude the changes that appear in the business environment consists in a *hybrid managerial approach*. Gronroos (1995, p. 252) mentions that, regardless if a company adopts mostly transactional or relational strategies, there can be situations in which both strategic variants would be necessary in addressing to different market segments. The hybrid managerial approach requires the use of multiple marketing strategies that would allow the development and maintenance of discreet changes for shoppers segments with decreased degree of profitability, as well as the maintenance and intensification of the relationships with profitable clients. In conclusion it can not be possible neither profitable for an organization to create close relationships, personal and long lasting with all the clients, which involves a differentiated approach, based on segmentation principles that will combine elements of relational marketing and transactional marketing in accordance with the clients profile and its importance for the company. Analogous, in accordance with the complexity of the products the clients can also prefer a differentiated approach. In a study conducted on the banking market in the United States (quoted in Mohammed, Fisher et al, 2002, p. 490). It has been shown that there are some differences between clients that are "transaction oriented" (62% of the interviewed persons) that in general tend to be confident in their own strengths, searching and analyzing financial information and being in the same time sensitive in what concerns the price factor; and "relationship oriented clients" (38% of the interviewed persons), which want mostly personal service and are less price sensitive. A similar research conducted on the financial services market in Great Britain (Becket, Hewer et al., 2000, p. 16) succeeded in developing a model that proposes a typology of shopping behavior that manifests itself in this sector, in accordance with two factors

considered essential in motivating and determining choices made by individuals: the level of involvement and the degree of uncertainty (that generates a certain level of trust in the banker), that are presented in figure 2.

		Level of involvement	
		Low	High
Trust degree	High	Repeated passive behavior	Active rational behavior
	Low	Decision not to buy/not to contract	Dependent relational behavior

Figure 2. Matrix of the consumer behavior in the financial – banking sector

Source: Adapted after Becket, Hewer et al, 2000, p. 16.

The involvement of the client in relationship with a certain financial - banking organization incorporates a series of secondary factors among which: the control of the client, participation of the client and level of contact. Concomitantly, the uncertainty or the degree of trust is directly influenced by the risks perceived by the client; risks determined mainly by the complexity of the products and services and the uncertainty of the results associated with the contracted product. The model generates four ideal types of shopping behavior.

Repeated – passive behavior. In this dial the clients show a decreased level of involvement towards the financial product because they are fully conscious of the principal characteristic of the offer. Being given the low involvement and limited perception of the uncertainty, the clients can be described as having a passive behavior, meaning that they will participate in repeated interactions, without active searching for alternative offers. In the relational marketing literature this type of behavior is called also “behaviorist loyalty” and it is manifested mainly towards the more complex financial products and services (current accounts, transactions and in a certain degree deposits and loans). According to the results of the previous mentioned research, the clients are confident in their own abilities to open and use a current account, and choosing the bank is determined by factors concerning the accessibility, quickness of the service and comfort; for example, the location of the banking units relative to his home or workplace. Other factors that can influence this type of behavior include: family influence (relationships with a certain organization can be continued over more generations in case youngsters have their first account opened at an early age) friends, also the image and reputation of the supplier. Even though they are not fully satisfied with the received services and don’t declare their loyalty to that bank, the habit, ineptness and small differences between the offers of rival financial institution or the existence of the migration fees, determine customers to continue the existent relationships in the same manner. In conclusion, in this dial of the matrix the clients show more likely an type of

behaviorist and not attitude loyalty towards the supplier of financial services. If in the first case we can talk almost exclusively about repeated passive shopping, the attitude loyalty implies the maintenance of positive or negative attitudes towards the bank. The possibility to accomplish a distinction between the “true loyal clients” in both attitude and behavior and the “partial loyal clients” in terms of behavior is created. The strategic organizational approach in the repeated passive behavior dial will be different for a company that is new on the market compared to a bank with consolidated position. In order to win a higher market share, newcomers will encourage the buyers to go over to the active relational dial, while the existent opponents will try maintaining the clients in the present dial, at least on a short term, through developments brought to the products and services delivery systems. The factors that determine clients to migrate from one dial to the other, transferring their accounts from one service supplier to a rival one can also be of personal nature, like changes in lifestyle as a sequel of marriage, change of residence or workplace.

In the financial banking system, organizations had the opportunity to retain customers for a long period of time in the repeated passive behavior dial because the benefits that the clients perceived concerning the offers of the rivals were low and the migration costs were high. The changes in the business environment generated an intensification of the competition and a growth of the client’s availability to use new distribution channels, modifications that could reduce the migration costs and the ineptness based behavior of the clients; therefore keeping the clients in this dial is an harder to reach objective for companies in the financial sector.

The rational active behavior. In this dial the involvement of the clients in terms of controlling the processes, participation and contact is high; also high is their trust in what concerns the complexity of the products and safety of the results. Clients that buy in accordance with the rational factors are those that have enough personal abilities and information that allow them to understand the nature of the products and to realize pertinent comparisons between offers of the players on the market. In accordance with the results of the market research conducted by Beckett and the other authors, this type of behavior is encountered with a higher probability at buying basic insurance products. Although the brand and reputation were considered important for clients in the phase of realizing the existence of the products/services, the largest part of clients indicated price as the essential criteria in decision making and also maintaining the relationship with an organization (intention of the clients is to migrate to another tendered when the prices of the present one grow). For most of the respondents, the context of buying an auto or home insurance was through distant exchanges using the phone or internet, comfortable channels for the clients that don’t require a face to face contact (needed for establishing a feeling of trust), the accent being placed on the price differences between offers of the suppliers of services. Essentially, they don’t consider themselves as loyal or as having a certain relationship with a organization, and change their insurance company every couple of years. This behavior is influenced according to clients’ statements also by the lack of communication with the staff of the insurance company that limits at sending informational letters every year regarding the development of the facilities and awards. The increasing level of consciousness, involvement and information of the consumers of this sector allows them to pass from the repeated passive behavior dial to the rational active dial, challenging the banks to increase the value that they offer to the clients.

Decision not to buy/not to contract. In this dial are placed the consumers that do not buy or contract financial services because they do not show any involvement towards the offers of financial products and services and they do not have the required abilities or trust for closing transactions. They represent an important base of potential clients for organization in the financial sector. That must adopt strategies with stimulant effects of the priory mentioned factors with the aim of encouraging the appeal on different financial instruments. Away of raising the degree of involvement shown by the consumer would be identification of the comfortable and easy to access distribution channel for the potential client. The dependent relational behavior. The clients from this dial show a high degree of involvement but have a low control and safety level because of their need for complex financial products. In order to make a specific choice, the client needs consultancy from banking specialists or a third party, that is why they are described as dependent client that forms relationships from his will to reduce uncertainties and perceived risks and in order to structure a certain model or pattern of buying. The relational-dependent behavior is mostly met in market situations marked by uncertainty; when the consumer does not dispose of enough information in order to make rational decisions and perceives, in the same time, that there are quality differences between the products offered by different companies. Being given these conditions and the client desire to knowingly make choices, the need for specialized assistance arises. The relationship with the banking consultant will efficiently substitute the process of information searching, and between the two parties the possibility of development of a trust feeling appears. Continuing to present the results from the study conducted by Beckett on the financial market in Great Britain, it appears that the dependent-relational behavior is mostly met in case of contracting complex financial products or instruments, like investment or pension plans, towards which the majority of the respondents expressed a lack of confidence and information in the context of taking the decision to buy. Therefore, these have expressed their decision to resort to the services of the banks or insurance company's personnel or to an independent financial advisor, the trust in their services is owed to the increased level of knowledge that a specialized person is supposed to have. The adequate channels of distribution for this category of clients require face to face contact and personalized services, in order to reduce the level of risk associated by the client with complex products and allow establishing a long term relationship based on trust and commitment. This is realized by discussions from which the client finds out relevant information regarding the nature of the products and the optimum choice for the specific need that he has. In strategic terms, the relational-dependent behavior offers a potential base for obtaining competitive advantages through differentiation, being therefore the segment for which the necessity of relational strategy development appears. This is facilitated by the relationship between the financial institution and client and therefore by the clients propensity to guide his financial requirements to a business partner that won his trust. The opportunities to create and maintain the relationships with clients in the financial and banking system are hereby influenced by the type and complexity of the contracted products/services and, implicitly by the different possibilities to differ from the competition. The differences are, most of the time, easy to imitate/copy by the other competitors and that implies continuous efforts by the organizations to find new sources of individualization by utilizing a brand image, interactive channels of distribution and

communication and by promoting the benefits of a long lasting relationship with the clients.

References

- Beckett, A., Hewer, P., Howcroft, B. (2000), An exposition of consumer behavior in the financial services industry, *International Journal of Bank Marketing*, MCB University Press, 18(1), pp. 15-25.
- Egan, J.(2004), *Relationship marketing. Exploring relational strategies in marketing*, second edition, England: Prentice Hall.
- Ennew, C.T., Binks, M.R. (1996), Good and bad customers: the benefits of participating in the banking relationship, *International Journal of Bank Marketing*, 14(2), pp. 5-17.
- Grönroos, C. (1994b), From marketing mix to relationship marketing: towards a paradigm shift in marketing, *Management Decisions*, 32(2), pp. 4-20.
- Grönroos, C. (1995), Relationship marketing: the strategy continuum, *Journal of Marketing Science*, 23(4),pp. 252-264.
- Grönroos, C. (1997), Value-driven relational marketing: from products to resources and competencies, *Journal of Marketing Management*, 13(5), pp. 407-419.
- Gummesson, E. (1999), *Total Relationship Marketing; Rethinking Marketing Management* from 4P-s to 30Rs, Oxford: Butterworth Heinemann.
- Mohammed, R.A., Fisher, R.J., Jaworski, B.J., Cahill, A.M. (2002), *Internet Marketing: Building Advantage in the Networked Economy*, New York, McGraw-Hill.
- Möller, K., Halinen, A. (2000), Relationship marketing theory: its roots and direction, *Journal of Marketing Management*, 16, pp. 29-54.
- Palmer, A.J.. (1996), Relationship marketing: a universal paradigm or management fad?, *The Learning Organisation*, 3(3), pp. 18-25.