

## THE ROMANIAN'S BANKING SYSTEM NEED TO FOCUS ON MARKETING<sup>1</sup>

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### Abstract

*The importance of the marketing activity is shown first by the continuous development of competition in the financial-banking sector in spite of the difficulties of entering and exiting a market, and second, by the globalization and the increased interest of the market players which determine high levels of intensity of the commercial activities in this sector.*

**Keywords:** financial-banking marketing, Romanian banking system, customers expectations

**JEL Classification:** M30, M31, G21

### 1. Introduction

Public expectations regarding banks are changing. Customers want services most suited to their needs and as rapidly as possible. They want to know that the bank is in step with time, the pace of business and that they will be able to offer all the products of modern technology to conduct business in accordance with the trends.

Communication strategies of banks shifted from tradition, stability and confidence to flexibility, diversity, accessibility and speed.

Basing on more and more sophisticated and demanding customers, banks are increasingly focused on meeting customer needs at a pace unexperienced so far. Modernity and dynamism are about to become the new pillars of banking communication. Banks are continuously coming with new products, more and more diversified and adapted to be positioned and promoted. In this context, banks have focused particularly on the marketing budgets of these products and services.

According to a report published by the International Monetary Fund (IMF), the ongoing subprime crisis has cost the banking sector losses comparable to the total losses incurred in Japan's financial crisis in the late 1990s. [Barbu, Vintilă, Armeanu, Nedelescu (2010)]

Marketing in the banking and financial industry today must bring new forms of expression considering the rapid changes of the environment, where consumer

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society and mass production fosters competition and leads to continuous development of financial and banking products and services.

## **2. The evolution of the banking market in Romania**

For many years, Romanians have put money in the bank just to be safe from the rising prices and to gain something more than this increase. Monthly accrued interest on deposits allowed the economy to more easily pass post-December inflation shocks. High inflation recorded until recently stimulated savings instead of credit strangled.

Products and services are suitable for everybody from students to business people, from credit for studies or holidays or cars until the mortgage or real estate. Loans are granted in RON or another foreign currency with fixed or variable interest rate, with a variable period of time.

The Romanian banks are highly interested in [Catoiu, Edu, Negricea (2012), pag.75]: brand perception (bank and products), brand attitude (bank and products), buying motives, product satisfaction, buying behaviour, buying intentions, segmentation studies, target markets, brand positioning, fidelity tactics and consumer reactions.

Commercial banks in Romania are forced to change their strategy. The fight for market share will no longer use the interest rate as a gun, but the arsenal of services offered to those who have already opened a bank account, through loyalty, by providing customized products by large-scale marketing campaigns.

Some banks have now also started door to door delivery of services. As a result, it is now possible to order cash or demand drafts to be delivered at home [Stănescu, Nedelescu(2010)]

The retail sector is the most desired by the banks and associations of banks, large retail networks, and they are not the only tha are racing. Credit and debit cards have related financial services more and more complex in order to gain customer loyalty. Thus, bank marketing arsenal is enriched every day.

The cards offered today by the Romanian banks already provide not only the possibility of cashing the owed revenues, such as pensions and wages, but also associated service packages, such as medical insurance for traveling abroad, emergency services or discounts on hotel accommodation services.

An account in the bank, plus huge possibilities offered by the Internet and mobile communications implies a serious simplification of everyday life. New products ranged as remote banking services such as mobile banking or Internet banking offered by the main Romanian banks, enables a variety of operations. [<http://www.hotnews.ro/stiri-arhiva>]

Paying the bills directly from your mobile phone, transferring money between card accounts and deposit or credit, regardless the currency used, are already offered by the commercial banks operating in Romania. By the Internet, bank accounts, payments and transfers can be accessed 24 hours a day, seven days a week.

Products and services offered by banks both global and domestic are in constant diversification. The diversification of the products and services required the restructuring of banks, making them more efficient and focusing more on customer relations, aiming to meet their needs. [Nedelescu, Stănescu (2012), pag.11]

Until recently, banks struggled to regain lost public confidence. Communication campaigns struggled to meet the need of safety and trust of customers, using reasons such as tradition and stability. On the other hand, products and banking services were almost the same, so their choice was based on the company. In this context, the banks having no other solution, were focused almost exclusively on corporate communication.[ <http://www.wall-street.ro>]

These facts have changed in recent years, due to technology evolution, the offering bank really needs to keep up, but also due to achieving a threshold of stability in the banking market. Meanwhile, banks have set their identity positioned accordingly. In the same time, the increasing and more sophisticated demand of the bank customers, better acquainted to the new technologies, led to an explosion of offers on the banking market.

### **3. Focus on marketing - a must of the time**

Available infrastructure provides the means by which financial service providers determine the best way of promoting their products or services.[ Hooman Estelami(2007), pag.26]

Regardless of the method used in the market segmentation and selection of the target segments, the bank is trying to identify and respond to specific needs and to stand up to the expectations of the group.[ Borza (Plăiaș) Ioana(2005), pag.164-165]

In order to develop a proper marketing strategy, a financial banking marketer must begin with the detailed knowledge of the financial product or service offered, and understanding properly the consumer behavior.

Banks have realized that they operate in a more dynamic environment and in order to meet customers' increasingly sophisticated needs, they have adopted marketing strategies aiming the diversification of the products and services, introducing alternative distribution channels and creating the reputation by how they are serving the clients.

Marketing in the banking industry focuses on the following activities:[Valerică Olteanu(2005), pag.31-32 ]

- identifying the need for products and services, evaluation of the application and the description of the consumer behavior of financial products and services,
- market segmentation, sizing and description of target segments,
- providing strategic market alternatives,
- study of the positioning and strategic positioning study of the alternatives,
- shaping the marketing mix of the bank's financial products and services,
- designing the product, price, promotion and distribution,

- design and implementation of marketing programs at central and local level (subsidiaries, branches) setting goals for the market,
- conducting marketing audits of the company's activities,
- design and implementation of complex programs aimed to increase the efficiency of the customers relations management.

Financial banking marketing is merging with the concern to improve the quality of products and services and to service customers.

Organizations adopted standards of quality, customer-oriented, aimed mainly to maintain the bank's soundness, credibility and honesty, professionalism and solicitude employees, reducing time to delivery of products/services, in order to obtain customer satisfaction.

Marketing approach in financial banking institutions presents a number of special features:

[Badoc (1995), pag. 10 – 11]

- the regulated nature of the sector in which they operate. Most of the times, the financial banking institutions can not control totally their offer or their own fares.
- the bank's risk. Banking risks are a source of unexpected expenses; their own management can stabilize revenues over time, taking the role of a shock absorber.
- the profitability of products and financial services. Can be seen close to reality after several years after the moment of selling.
- economic and sociological evolutions. Have an impact on financial institutions, from the perspective of profitability (the evolution of inflation and interest rates, declining consumer purchasing power, increasing unemployment etc.).
- social responsibility of banks. It is approached through the indirectly assumed responsibilities of the banks by their customers.
- the absence of protection of innovation. Banks do not have the possibility to file patents for inventions, making it difficult to differentiate products and services on long term.
- the level of knowledge of the consumers of financial services. Is relatively low because, on one hand, the frequent changes that occur within the banks ' offer, and on the other hand, the high enough number of the products and services advertised in the market.
- the high degree of market segmentation. There are multiple categories of consumer products and financial services, two of which have completely different needs and characteristics: individuals and legal persons.
- the existence of a relationship in time between the client and the bank. Financial institutions are concerned about detailed knowledge of customers and for developing a close and interactive relationship with them, in order to persuade them not to "migrate" to the competition.

- the duality of the relations between banks and clients. The activity of the financial-banking institutions is influenced by market trends and market dynamics, influencing the strategies of banks, generating thus, a mutual exchange of streams, with bidirectional active effects.
- the internal competition between different products and services offered by the same financial institution. It owes to the phenomenon of "cannibalism" that takes place between the products/services offered by the same bank.
- integration of the distribution channel. Requires the existence of an effective distribution network, both numerically, and the range of products and financial services offered.

In recent years a number of factors have significantly affected the financial-banking services market, with a major impact on the client-bank relationship: change consumer behavior; new policies of the state and government intervention; technological innovations; environmental protection.

Customer expectations have varied from one year to another, as a result of the evolution of lifestyles, driven by increasingly living standards, high degree of urbanization, the extension of the life-time.

The allocation of some important resources for new technologies in order to replace expensive labor, led to technical progress in the field, that accelerates the economic processes and keep under control large-sized databases about customer transactions, working around the world.

Among technological innovations, with financial application, you can enumerate:

- The introduction of plastic cards, which has simplified the system of payment in the economy;
- Adaptation of the mobile and fix system, in order to perform various operations (deposits, transfers, credits);
- Virtual banks appearing on the Internet offering banking products and services by electronic environment.

Due to these specific factors of the financial - banking market, for the financial institution the concept of market orientation and customer acquires the following meaning:

- the financial institution successfully meets client's financial needs through measures designed to identify new needs, to reshape financial products and services, to develop and introduce products and services to constantly create new needs;
- the financial institution has an organizational structure and operational flexibility that allows continuous adaptation to the financial needs of customers.

Customer problems tend to become the basis for developing new products, creating in addition other needs, because as long as it is asked to solve these problems, it can not give new ideas. Bank needs to match customer requirements.

Potential objectives of promoting the banking and financial services: [Lovelock(2001), pag. 295]

- Creating memorable pictures of the bank and its services;
- Informing and raising awareness of unfamiliar public service;
- Creating service preferences communicating about its strengths;
- Encouraging test by offering promotional incentives;
- Familiarity with a customer before the service provision;
- Educate customers in the use of a service to obtain maximum benefit;
- Informing customers about delivery times best to avoid congestion;
- Resolve all customer complaints;
- Reducing uncertainty and risk perceived by customers by providing information and advice at any time;
- Recognize and reward your best customers and employees;
- Reposition permanently based services field;
- Provide guarantees.

An effective marketing strategy means addressing especially the customers, and competitors. Elements underlying the success of the marketing strategy plan aim both customer knowledge (demographics, motivations, needs, criteria taken into account in decisions about the use of financial products and services) and on the competition (such as financial institutions - banks, number, peculiarities in the SWOT analysis of competitors and so on).

Although in the activity of various banks are a number of similarities, it is impossible that two financial institutions to have an identical strategy. Regardless of type, the success achieved in its implementation is not in the long run, because it is taken quickly by competing banks.[ Forțu(2011), pag.32]

The formulation of strategic options is based, on one hand on the market analysis, on the sector the bank operates and on the other hand, the need to identify sustainable competitive advantage and customer needs. Thus, the main objective of the financial institution is complete satisfaction of clients ' needs, in terms of profitability. If the product is not suitable for the requirements or is not available at the right place and at the right moment, "meeting" with the customer and his needs will not be achieved. If the price is set wrong, the bank cannot make profit (in case of return to a relatively low price) or the consumer does not use that product or service, with the same effect on the profitability of the bank. In practice, the four aspects (4Ps), cannot be addressed separately, they are permanently related.

Clients tend to become less loyal to the main bank and more willing to work with more than one credit institution, although to a large extent, they are satisfied with the one they are currently working with.

According to a study performed by Ernst & Young titled Global Consumer Banking Survey [<http://www.ey.com/GL/en/Industries/Financial-Services/Banking>] at the global level, the number of those who are clients of one bank has dropped to

31% in 2012, from 41% in 2011, while the number of those who work with two or three banks increased from 21% to 32% during the same period. This trend of multi-bankarization was due to the customer needs to get better rates (34%) and better services (34%). Globally, only 44% of customers state that their banks are trying to adapt the products and services to meet their needs. 70% of customers would be willing to provide more personal information, if this would improve the level of services and products they are using.

Due to accessibility at all time and comfort offered, internet PC home banking is becoming increasingly popular among the customers who make simple transactions. However, meetings at the agencies with the financial advisers remains essential for the overall level of satisfaction of clients, especially for complex transactions.

Customers want the flexibility to use different channels for different types of transactions or interactions with the bank, at different times during the week and appreciate the convenience interaction with the bank rather than access through a particular channel of distribution.

Customer loyalty programs are increasingly common. 27% of respondents say they are enrolled in such a scheme, 50% more than in 2011. However, customers expect more, the overwhelming majority being of the opinion that the use of three or more products from the same bank should attract enhanced services (86%), lower fees and better interest rates on savings accounts (91%).

Consumers appreciate very much the information and advices coming from the people they know and trust. Globally, the majority of consumers (74%) base on the recommendations of their group to get information about the bank, products and services. Moreover, 55% of consumers use online communities and social networks or advice.

Web sites that compare products, relatively unknown five years ago, now represents the second major source of information, influencing decisions to customers, outpacing the bank staff.

Social networks are also used to interact with the bank, one-third of clients used social networks to comment on the topic of who benefited and even have encountered to others in order to convey interesting offers.

In the survey were questioned 28.560 individual clients of the banks from 35 countries around the world.

The Romanian banking system is dominated by banks with foreign capital, which must meet both the requirements of the regulations in our country and in particular the requirements imposed by the supervisory bodies of the parent banks subsidiaries of our country will choose in most cases on the decrease of crediting or maintaining exposure to the same level. It can be said that from this point of view Romania is exposed to risk in its approach to ensure sustainable development and to achieve the convergence of its membership to the EU.

By applying proactive governmental policies, "*forward looking*" is necessary to conduct an analysis of such unfavorable scenario (resulting from the possible strategy

and business plans of global and regional banks with a presence in our country) and to avoid the situation when it becomes reality. In such circumstances it takes measures and alternatives to ensure the continuity of funding of the national economy (and population).[ <http://www.bnro.ro/>]

Although the banking system shows a high degree of connectivity to the European banking system, the market share in terms of assets of banks with majority foreign capital continued to decrease to 81, 2% at the end of the first semester of 2012, on the base of active fixed selling and underperforming.

The majority of the Austrian-owned banks hold, similar to previous years, the largest market share (38% in June 2012). Group of banks with majority Greek capital has reduced the market share of 16.3% to 12, 9%, being sub-ranked of the Romanian capital banks, whose share in aggregate assets increased to 18.3%. [<http://www.ziare.com>]

From the point of view of the countries owning fund shares in capital of domestic banks and branches of foreign banks, by the end of 2011, the first three positions were still occupied by Greece (22, 9%), Austria (20.8%) and at large distance, Netherlands (11.5%).[ <http://www.ziare.com>]

The banking sector in Romania has recorded a loss of 777, 3 million in 2011 and \$ 192 million in the first half of 2012. In general, the positive financial results have been obtained by the big banks.

#### 4. Conclusion

Increasing competition in the banking system and the economic instability throughout the country, requires increasing efforts to adapt to environmental changes and maintain or strengthen the position on the market. The consistency and effectiveness of these efforts can be obtained only by targeting all activities in a modern vision of marketing. Banks that will best understand that success is a result of meeting the needs and requirements of the customers and will be able to induce this conviction at the level of each employee, will be able to create an organizational culture in this respect, will be the ones that will hold the best position in the market.

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