
Effective Marketing Strategy for Regional Banks

Alena Anatolievna Uksumenko¹, Irina Aleksandrovna Kuzmicheva¹,
Olga Yurievna Vorozhbit¹

Abstract:

The possibility of pursuing effective client policy in the context of marketing concept of the commercial bank's development strategy is considered. Hence, the goal of this study is to summarize the principles of effective client policy and offer solutions for the problems arisen while establishing the above. The general scientific methods of analysis and synthesis, economic-statistical methods and methods of abstract-logical judgments have been used.

The article reveals the problems of establishing principles of effective client policy in the bank: terms and conditions of banking products become less attractive, the probability of prolonged individual deposits by the population falls, and the number of opened credit lines and contracts for enterprises and organizations classified as small businesses also decreases.

The evaluation of the measures taken has showed their insufficiency for making the bank leading and innovative under the current conditions of global competition. The evolution of the marketing concept as a part of the commercial bank's development strategy is described historically and in terms of foreign experience.

Their advantages and disadvantages are noted. The use of the marketing concept through the specificity of the marketing task is grounded: sales of banking products to both clients and sellers. Based on the research, it has been concluded that the regional bank needs to work through all the elements of its marketing strategy to effectively promote its products on the market.

Keywords: Marketing strategy, banking product, client policy, marketing task, loyalty, commercial bank.

JEL Classification: G21, M31.

¹Vladivostok State University of Economics and Service, Primorsky Region, Vladivostok, Russia, e-mail: Alena.Uksumenko@vvsu.ru

1. Introduction

Nowadays business of commercial banks completely depends on their clients. In this regard, banks apply certain principles primarily aimed at attracting and retaining their clients, as well as identifying their needs for new banking services and improving the quality of the existing ones (Federal Law “On Central Bank of the Russian Federation (Bank of Russia)” No. 86-FZ). Such principles are usually called the client policy.

In economic science, there is no single approach to the definition of the client policy. For example, according to Tavasiev (2015) client policy is a policy of acquiring clients, their funds, as well as providing loans and other operations in the interests of clients (Mitrokhin *et al.*, 2016). Operations of both active and passive nature, for example, deposits follow from this. This definition most fully reflects the author's vision of the matter. However, according to Platonova (2012), the bank's client policy is understood as “a set of strategic and tactical tasks of the bank in client service, which includes reasonable targets, priorities and required resources for fulfillment thereof”. Thus, for regional banks, client policy may be defined as an individual approach focused on client acquisition and retention, as well as on their loyalty.

The marketing department should ensure the profitability and speed of banking transactions and, if possible, bring the client closer to the bank by creating a convenient infrastructure of information communications, which is based on trust and harmonization of interests. Functionally, many scientists described marketing as management of client's economic behavior. For example, Evans and Berman (1992) defined marketing as the art of finding, preserving and nurturing clients. Kotler (1984) described marketing as “profitable client satisfaction”, and marketing policy “...should be focused on implementing a sustainable development strategy for the company...”.

This study is topical since nowadays client relationships considerably change because under the modern economic conditions products of one bank almost do not differ from similar products of other banks (Thalassinos and Dafnos, 2015; Keisidou *et al.*, 2013). When a company enters the market with a truly unique offer, the novelty is quickly picked up and duplicated. Competitors quickly copy any improvements to the existing banking products. The subject of the study is to analyze pursuing of an efficient client policy in the context of marketing concept of the commercial bank's development strategy. The goal of the study is to generalize principles and develop solutions on forming an effective marketing strategy of the regional bank.

The information base of this study includes materials of research conferences, various research publications on the topic, official corporate websites, legislative and regulatory acts and data from the survey of clients of

Primsotsbank (a public joint-stock social commercial bank of Primorye) in order to identify client policy satisfaction in one of the leading regional banks in the Far Eastern Federal District.

2. Methods

The methodological basis of this study includes methods and tools of economic theory, marketing, finance and banking. When fulfilling the set tasks, general research methods of analysis and synthesis, economic-statistical methods, methods of abstract-logical judgments were used.

3. Results

Nowadays banks experience a difficult period of transformation, when they are to focus all their resources on the needs of their clients, their expectations and comfort. Banks are a kind of indicator of the economic situation in the state. Moreover, bank products in demand and their promotion to the market may describe the current social and financial situation, as well as the psychological climate in a region.

A commercial bank that meets the public needs of a region is a full participant in market relations whose activities are controlled by the state. In fact, the bank is an independent organization that implements its specific products on the financial market to generate income for its shareholders. However, a bank product or service has a direct impact on the health of the economy in the state, which largely depends on the financial well-being of its citizens, helping to obtain additional financial resources to individuals and corporations, if necessary, and to be able to preserve and increase their savings and ensure payments. The bank branch expansion allows dynamically forming the financial market and motivational mechanisms for investment, as well as improving marketing technologies.

As a rule, large banks continue to increase their market share. However, according to the Central Bank, they “tend to be characterized by a more conservative policy”, and they restrain the market development. On the competitive market, even large and well-known banks solve a rather difficult task of retaining their positions in the market and preserving the effectiveness of their business. As a rule, the bank's management develops a few measures that would reduce costs and increase its market share for price competition (Ahn *et al.*, 2011; Thalassinou *et al.*, 2012; 2013).

Initially, banks (abroad) viewed marketing only superficially. However, since the 1980s, they have started to introduce certain marketing terms as elements of a business process management system, which was due to:

- Firstly, the globalization of banks and their access to overseas markets.

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- Secondly, the increase in banking products and services provided by non-banking organizations.
 - Thirdly, “development of non-bank methods of borrowing money (for example, issuing bonds)” (Kolyuzhnova and Yakobson 2013).
 - Fourthly, the active development of information technologies.
 - Fifthly, the strengthening of banking competition caused by the unification of the product line.
 - Sixthly, restriction on the part of the state of the possibility to perform certain types of banking activities.

“A marketing mix is a set of marketing factors that accompany the sale of the product to the end user at all stages of the process, which is designed to bring about the desired and predictable feedback of the target market” (Terence, 2007). Ultimately, the effectiveness of such marketing mix is expressed simultaneously in meeting the expectations of the potential consumer of the banking product and maximizing the profit of the bank itself (Thalassinos *et al.*, 2010).

McCarthy (1964) offered a classic model of marketing strategy (4R). It included the following elements: a banking product, the price of this product, distribution and promotion of this product to the market. Thus, the efficiency of a bank is achieved only subject to the right mix of all elements of marketing functions as a unified bank management system. Since a commercial bank in the Russian Federation is a financial and credit institution that makes a specific product and its activity in the financial market is regulated by the Central Bank, there are differences in the banking marketing (as industry marketing) from the marketing provisions developed for other business entities (Thalassinos, 2008). Therefore, banks need to implement their marketing program carefully considering all its features. The target of banking marketing is interpreted as internal and external processes of the bank. The subjects thereof include commercial banks themselves, bank marketing specialists, bank clients; and the objects are a product line, competitors, consumers, types of communications, consumer demand performance, and a market risk level.

Nowadays regional banks experience a sharp competition in the financial services market, and an increase in the share of their presence in the market or sales may depend, for example, on the more convenient interface of the bank's website. Since the banking system exists in a special way now, there is also a specificity of marketing tasks. At the same time, banking products are sold not only by banks themselves but also by their agents. That is why bank marketing specialists have a task to motivate not only sales managers to support the bank's strategy properly but also bank agents to ensure proper sales. This is “a double marketing task — selling to clients and selling to sellers” (Ehrlich, 2006; Thalassinos and Kiriazidis, 2003).

To implement the marketing principles in activities of a commercial bank, it is necessary to determine what banking products are a service or a commodity. In

fact, though banking products have some features of both services and commodities, they are neither services nor commodities. The peculiarity of banking products is their isolation or independence. Another characteristic feature of banking products is the lack of perishability. A banking product is a non-perishable commodity, which makes it easier for the sales manager to control its supply and demand.

Moreover, banking products can be individualized (specific features of the service) or vice versa, can be made and sold on masse (specific features of the product). Banking products are neither commodities nor services as they are non-material; their cost in the market is low because the capital costs for creation thereof are insignificant and there are no costs for storage or distribution. Controlling the quality of the product is one of the main tasks of bank marketing. If a client starts using the purchased banking products and services, then, as a rule, this is long-term use. At this stage, banks take considerable efforts to support their clients to earn their loyalty, which can be achieved by establishing a strong relationship between the client and the bank.

The formation of loyalty programs in Russian banks and the retention of clients is a priority during the crisis. "Loyal clients not only buy regularly but also become the most active sales agents" (Lindsey-Mullikin and Munger, 2011). Obviously, the current economic and political conditions in Russia require business to reduce costs, or sometimes to proceed to liquidation, or to dramatically change the existing loyalty programs. One of the most important aspects of the bank's marketing strategy, along with product development, is the choice of the relevant client policy. Depending on the bank's rating, the market share and the overall economic situation in the country, the bank should choose an optimal strategy.

"Under the conditions of the economic crisis and sanctions, regulation becomes tougher, competition for domestic consumers for financial and technological companies becomes acuter, the resource base of banks changes (external sources of funding are replaced by the internal ones). It is possible to say that the economic conditions in the country are being dramatically transformed for financial institutions of the market" (Persakisa and Iatridisa, 2015; Posnaya et al., 2017).

4. Discussion

The main purpose of studying the quality of client service is to identify the reserves for expanding the client base, improvement of quality and volume of services, and stimulation of demand for the provided and available banking products. In the modern economy, it is not difficult for a client to find a suitable bank, and competitors, which can adjust their culture, contacts and products in accordance with changing desires and needs of clients, do not find it difficult to lure them. In this regard, one of the most important tasks of a competitive bank is to improve its position in the client service, namely, to search for new approaches that consider various needs of clients.

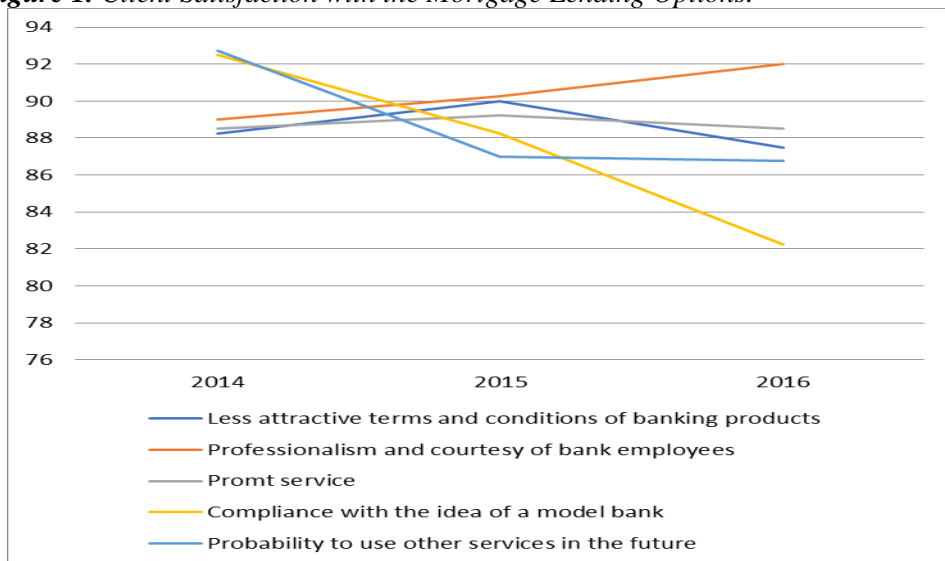
There are 8 regional banks in Primorsky Krai. As on May 1, 2017, Primsotsbank (Social Commercial Bank of Primorye) holds the leading position among them. Primsotsbank was established on June 30, 1993. Currently, Primsotsbank has its branches and offices not only in Primorsky Krai, but also in Khabarovsk Krai and Kamchatka, Moscow and St. Petersburg, as well as in Omsk, Chelyabinsk, Irkutsk and Sverdlovsk regions.

The development strategy of Primsotsbank includes the growth of retail and corporate lending, as well as the introduction of the latest technologies that will make the bank's work even more comfortable for its clients. Top priority directions of the bank's development include the following:

- Maximum client focus;
- Improving the effectiveness of the risk management system;
- Technological improvement of the bank;
- Efficiency and culture.

Over the years of its development, Primsotsbank has become a large universal bank that provides a wide range of services to its private and corporate clients. It has become a participant in the National Payment Card System, and joined the government's mortgage lending program, which will allow the bank to issue mortgage loans at a preferential interest rate fixed for the whole lending period (Vorozhbit and Uksumenko, 2016). Figure 1 shows the client satisfaction with the options of mortgage lending services.

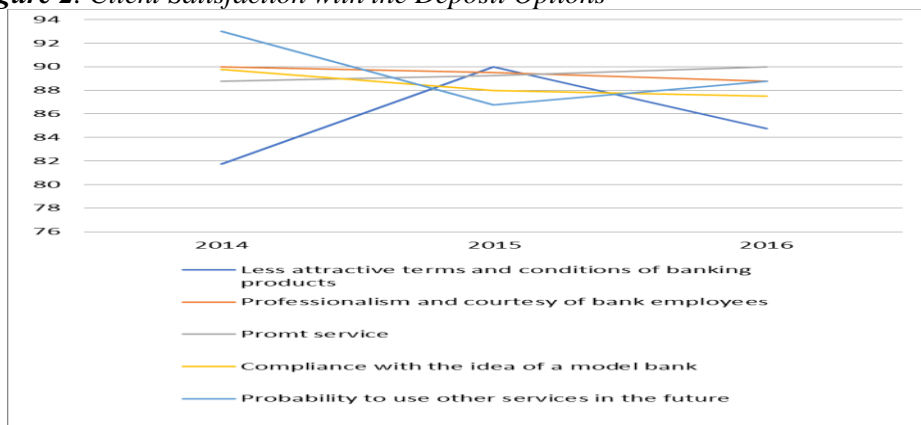
Figure 1. Client Satisfaction with the Mortgage Lending Options.



Despite the high satisfaction of mortgage clients with the professionalism, politeness and efficiency of employees, the bank's overall compliance with the model's ideas was declining, and the probability of using other banking products was lower than that of clients of other services.

Let's analyze the client satisfaction with the individual products of Primsotsbank. Figure 2 shows the analysis of personal data on deposits.

Figure 2. Client Satisfaction with the Deposit Options



During 2014-2016, the depositors were most satisfied with the speed of service, as well as professionalism and courtesy of employees. They were the least satisfied with the terms of products. The lowest estimates from respondents were obtained for the attractiveness of the terms and conditions of deposits. The probability of prolonging the deposit was also quite low.

Figure 3 shows the client satisfaction with the terms of lending services to small businesses. Very low estimates were obtained for the prompt service and the attractiveness of the terms and conditions of the products. More and more seldom the clients considered the bank as the ideal place to do their business, which was a key factor in reducing the number of credit lines and contracts made by enterprises and organizations classified as small businesses.

Any commercial bank operating in the market seeks not only to consolidate its position, but also to increase its client base. However, the data shown in Figure 4 with information on the benefits show a negative performance in all the analyzed areas. What was noted as an advantage in 2015 sharply lost its position in 2016. This is an occasion for making managerial decisions. Contrary to Figure 4, the data shown in Figure 5 below indicate the inconsistency of the client policy or the incorrect sampling of such client data survey because, according to the clients, the bank's shortcomings also decline, but there is no increase in satisfaction and occurrence of bank benefits.

Figure 3. Client Satisfaction with the Terms of Lending Services to Small Businesses

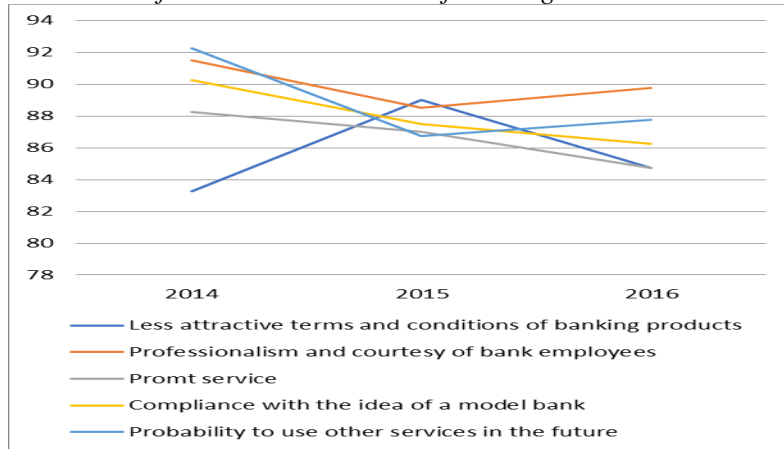


Figure 4. Bank Benefits Marked by Clients

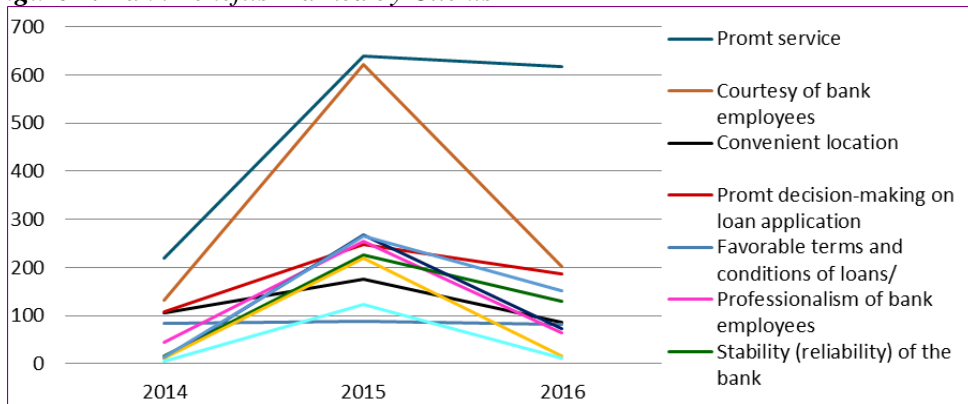


Figure 5. Bank's Shortcomings as Marked by Its Client

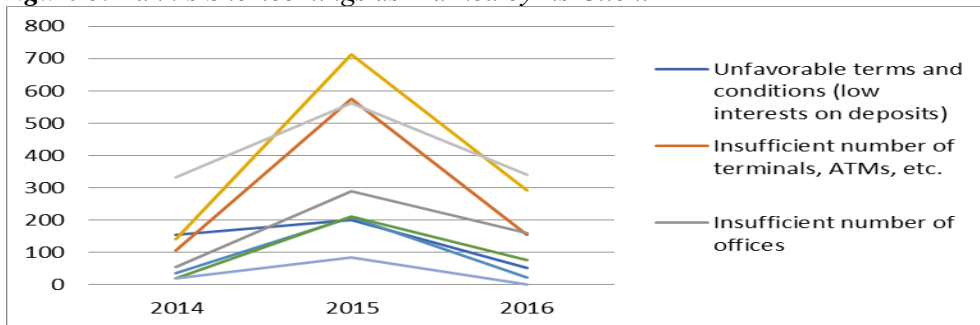


Figure 5 shows that the first place for the shortcomings noted by the bank's clients is given to unfavorable terms and conditions for loans, the second — to unfavorable terms and conditions of deposits, and the third — to the insufficient number of terminals, ATMs, and a small number of offices.

Considering the advantages of the bank, most clients put the prompt service first, as well as courtesy of its employees. The clients consider unfavorable terms and conditions, namely high interest rates on loans and low interest rates on deposits as the main disadvantages. Since the shortcomings and advantages noted by the clients are reduced in 2016, PrimSotsbank proposes the following measures in order to improve the client policy:

- a) In order to find out and make the most effective use of what clients really need, when conducting a survey, it is necessary to add the question “What is an ideal bank to your mind?”;
- b) To universalize duties of the employees of the operating hall so that a customer could contact any manager both for a loan and a deposit;
- c) To improve the quality of service;
- d) To actively use the existing leadership positions in the region to introduce new products.

5. Conclusion

Summing it up, we can say that the main principle of the bank's client policy is the client-oriented approach (Konvisarova *et al.*, 2016; Bondarenko *et al.*, 2017; Stroeveva *et al.*, 2015). The bank should pay special attention to the quality of service and proper identification of needs. These offers will contribute to the improvement of the client policy in PrimSotsbank, the public joint-stock social commercial bank of Primorye.

Thus, the banking area is characterized by the integrated marketing strategy, where each of its elements is closely interrelated and requires detailed elaboration.

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