THE ROLE OF MARKETING AND BRAND IN BANKING

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Abstract: One of the key tasks for modern banks is finding ways and methods for creating sustainable competition advantage in increasingly competitive financial markets. The role of marketing within this task is beyond doubt, especially in bank services quality area. The quality is reached through putting clients in the epicentre and by giving them special treatment. Marketing has been a little slow in taking part in this financial, that is, banking area. This lag is being made up for by more personal attitudes to clients. Information technology application made this way of functioning easier, it created a data base which included some important personal dates in clients’ lives. The ambition to be different is closely connected to brand creation. Once it has been determined what makes a brand, it is necessary to express it through marketing activities. This very relation is the foundation for marketing and brand relationship. These are the main topics of this paper about banking sector specific points. Brands offer rational as well as emotional benefit. It will be even more stressed in the future.

Keywords: marketing, brand, banking, marketing mix, client loyalty

Introduction

Marketing is an area in constant development, and often the changes appear in unsuspected speed. Marketing strategy includes one or more target markets, and then the development of a marketing mix (product, price, promotion and distribution) which satisfy the needs and demands of the members of the target markets. However, when it comes to services, the marketing mix includes the environment, process and people. Marketing objective is the construction of the complete marketing strategy, not the optimal construction of the individual elements. Banks were the first to start marketing, and they realised that the easiest part of the job was to attract a client. It was much more difficult to keep the clients and make them into regular users. This is true for the banks as well as the other companies, which Drucker (1999) characterised as successful if they keep the clients by always recognizing their changing needs. As to that, we can add a moral that the business of all business is to attract and keep a client.

Service characteristics are: intangibility, inseparability, volatility and variability. Bank service is as complex and multidimensional concept as any other service. Such concept is based upon the essential service, which denotes a certain benefit coming as a result of using a certain service. The other service dimensions are: facilitation, enabling the transactions (information, order, accounts and payment) and intensifying ones, contributing to essential service higher quality, where we can add consultations, kindness, safety (Petrović, Zivkovic, 2015).

Banks, as well as other business entities, are doing business in the market which makes them improve their dealings all the time.
More and more demanding bank clients are always asking for better conditions and better services. The efficiency as a business principle is realised through static and dynamic component. The static efficiency is in offering services under the best conditions and price, and the dynamic one means introducing new, higher quality products and services through "skim the cream “ strategy in the market. As a response to constant pressure for achieving dynamic and static efficiency, the financial market has developed and converged, and the financial institutions accomplish their growth through expansion in new geographical areas, introduction of new services and gaining larger numbers of various clients (Ljumovic, Marinkovic, Milanovic-Golubovic, 2010).

In modern business, banks are on the point of transition to marketing orientation, where the accent is on the needs of a potential user, who is stimulated through various marketing activities, measures and variables into sale and profit gain. The key objective in all marketing activities is creating value for the customers, that is, clients, with the aim of providing their long-term loyalty. This implies building stronger connections and relations with the customers, with more partner relationship than a classic offer and demand laws. In such circumstances, the most important marketing function is brand development, representing a set of associations it causes for a customer.

In order to maximize the value of its brand, a banking institution has to define a brand strategy as a central part of its corporate strategy. The understanding and overcoming the differences between banking and marketing mentality, that is, transition from the traditional accounting orientation to market orientation of a bank brings high position at the market mainly because of competition differentiation. The key to the bank corporate brand success is finding the elements to differentiate the bank and its products/services from the rest, and the way for the clients to recognize that difference. However, it is not enough only to recognize the difference, it is necessary to encourage positive associations, take a certain place in the customer’s conscience, initiate an action, that is, certain bank product/service purchase on behalf of the client in due course. Brand recognition as a subjective feeling about a product, service or company, and a clear emotion connected to brand identity, enabling maximum business results through market share growth, client basis and according to that, profitability growth. For example, it is necessary to provide liquid investments in the long term, especially from the favourable sources. The main aim of each business bank is to provide capital, ensure investments and business profitability. Through partnership and cooperation with the state, business banks should take part in infrastructure project financing, with multiple external effects on engaging a number of companies and entrepreneurs in their realization, which will contribute to increased employment (Vujovic, 2014).

Globalization trends appear increasingly in banking sector in Serbia. The biggest European banks are business competition in our region. The change of bank name and image development are often the result of ownership change, that is, mergers or consolidations in cases when the existing name is no longer suitable for development strategy. A brand once established does not remain the same forever. After creating a quality brand, various problem solving included in the process, a special attention is paid to brand management. Providing high level of pleasure and client loyalty is very prominent in banking market due to intensive competition and struggle for client commitment, but also higher demands from clients.

The main objective of this paper is to show that marketing in banking can influence the success of the bank, that is, profitability. This analysis is important to point out that the strong competition from other banks make it a great challenge to be prominent in
the area. Having a powerful brand is essential for achieving successful and profitable business. Putting clients on a pedestal they deserve is the imperative in modern business conditions.

The paper is conceived through elaborating two central topics. After the introduction to this paper, the first part deals with marketing service specific points, that is marketing in banks, inevitably following its development. The next part is about brand, branding, brand management, all from the point of banking sector. From the general starting points, through specific points in banks, the paper will show what has been done in this domain in Serbia. Conclusions are offered in the final part of the paper.

1. Banking marketing - specific points

Production and consumption development has moved the centre of economic science towards increasing market and total turnover system functioning studies. Under the circumstances, the science thoughts on marketing has constantly been widened and enriched. Marketing is one of the latest scientific disciplines within social sciences. It is a very wide scientific area. The foundation stone for all theory and practice in marketing in the previous years has been marketing concept, concentrated on consumer satisfaction and company objective achievement. The consumer oriented companies are mainly those successfully collecting information from the market and reacting appropriately. These companies are focused on consumer analysis, competition analysis, as well as uniting sources that the company can use to produce values, satisfy consumer needs and long-term profit realisation (Stamatovic, 2009).

Through the history of banking, the bankers paid little attention to marketing. There is a small number of papers and researches connecting marketing effects to other bank business success indicators. Increased competition in banking and everyday struggle for clients has enabled intensified economic advertising and sales improvement. Therefore it is often pointed out that marketing did not enter the banks in the form of “marketing concept”, but in the form of “economic advertising and promotion concept”. This is very much expressed in situations of giving too much importance to marketing activities and aggressive campaigns which do not have credit when it comes to, for example, savings deposit growth in recession.

Banking management as we know it today in developed countries is recent. It appeared in the USA at the end of 1950s, in Germany during 1960s and intensively in 1970s. The most important cause for the turning point when it comes to marketing in banking is banking sector deregulation. It has encouraged strong competition within the banking sector itself. Apart from that, deregulation has influenced increased competition between the banks and non-banking financial institutions. Bank clients have also contributed to the additional pressure on the banks because they often satisfy their needs for money in the financial market. The banks have been looking for a new differential advantage when they realized that their job consisted of satisfying their clients’ changeable financial needs. Therefore the banks were forced to introduce new banking products such as: credit cards, automotive bank loans-easy cash, and similar.

Marketing strategy, supported by marketing principles, controls all aspects of business banking, marking off four variables in its contents: banking product, price, distribution channels and promotion. The most attractive banking products for consumers are achieved through balancing these variables. Putting forward just one of these is not correct.

Marketing strategy is the basic assumption for building a business position on behalf of a business bank, which means showing vision. It must be stable and adaptable.
Starting from the external environment (possibilities and dangers) and the internal environment (strength and weakness), marketing strategy defines marketing objectives in terms of consumer satisfaction and profit making, sales volume and banking product market share. Expert and efficient marketing operatives obtain strategy effects using business resources. The truth is there are no good or bad marketing strategy principles, only successful ones, and they empower marketing relations, reminding the management of these both verbally and visually. It is much more important for the banks to establish the marketing process than to conduct certain marketing activities, which is one of the problems encountered in domestic banks (Jankovic, 2009).

When it comes to marketing mix, Popara (2008) defines four instruments (product/service, price, distribution and bank promotion) in the following way:

1. Banks mainly offer similar services, such as collecting deposits, approving corporate and retail loans, payment operations, issuing plastic cards, e-banking…
2. Price is the second key element in marketing mix. This instrument has a lot of names in banking-provision, compensation, passive interest, active interest…
3. The objective of banking products and services distribution is to choose the channels to maximize the bank profit position in the long term. There are traditional and alternative distribution channels. When it comes to the traditional channels, the most widespread form of distribution is a branch network. The alternative channels include: credit cards, ATMs, EFTPOS terminals and home banking.
4. The basic promotion objective is preference encouragement for one or more bank services, or for the complete bank activities.

Johnson, F.P and R. D. Johnson (1985) researched bank service quality and discovered priorities for bank client satisfaction improvement in retail operations: being devoted, careful and helpful, kindness, care, courtesy, sensitivity, flexibility, competences, comfort, communication, availability, accessiblity, cleanliness, safety, reliability, functionality, integrity and esthetics.

In that case, there is a serious problem of client behaviour prediction. Burton (1994) points out a few important factors:

* consumers are increasingly eager to change their service providers and own two accounts;
* despite strategies used by the banks to encourage clients to use automated payments, they still prefer to use cash;
* consumers found the ways to use both accounts and credit cards, not anticipated by the sellers;
* renewal programs for consumer attraction to the central branches did not prove efficient;
* the largest number of customers does not have independent opinion;
* frauds have increased in epidemic proportions.

Banking organizations in Serbia are facing very complex and extensive business because there is a demand for a change into market conditions economy. However, the experience proves this to be an extremely complex task. First of all, the environment of our banking organizations is only at the beginning of market conditions creation, starting with the law regulations and going on to a low level of professionalism in business entities which the banks are forced to support and follow. Then, the next reason is insufficient banking organizations experience in marketing concept implementation, not only in our country, but abroad, too.
2. Financial products and services branding

If the rule of attracting a new client being five times as expensive as keeping the existing one is applicable, then it takes 20 years to build a reputation when it comes to brands, but only five minutes to ruin it. A brand is a name, a term, a sign, a symbol or a shape or their combination for identifying products or services of a salesman or a group of salesmen and for differentiating them from the competition. Financial products and services brands offer a lot of benefits, for the clients as well as for the financial organizations. If a brand means association, than branding means recognition. Branding is a process of brand creation, that is, a process of brand elements choice, financial organization image creation, and branding strategy design. The choice of brand elements includes choosing a brand name, a logo, a symbol, the letters and the slogan contributing to awareness building about the brand and its image. Brand elements are tangible indicators of financial products and services quality, and they reduce uncertainty in clients, while making choices about purchasing intangible financial products and services. The basic criteria for certain brand elements choice are (Kotler, Keller, 2006, 282):

- Memorability -how easy they are to remember and recognize
- Meaning-how credible and suggestive they are
- Likeability-how attractive they are
- Portability how much they enlarge the value of the financial products and services they apply to, as well as the value of the brand itself in various geography areas and market segments
- Adjustability-whether they are able to adjust to the new times
- Legal protection-to what extent they can be legally protected from copying.

Brand success depends on financial organization capability to fulfill its promises. A successful brand name contains the following features (Jobber, Fahy, 2006, 183):

- distinctiveness-it is identified at once and differentiated from the competition
- relevance-envisages service benefits
- significance-easy to recognize, remember and pronounce
- flexibility - convenient for new financial products and services introduction into the financial organization offer.

Claessens (2011) points out that the employees should and can be the brand champions. According to that, he analyses that the bank should carefully evaluate a few key elements of the organization with a strong influence on the ability to fulfill the promise of a brand. These elements are as follows:

1. Agreement between the business strategy and brand strategy
2. Giving the employees something to believe in
3. Employing brand ambassadors
4. Giving brand ambassadors authority
5. Strong management support
6. Creating employee responsibility and awareness
7. Cultivating the need for employees to take part
8. Design continuous performance measurement and feedback
9. Regular “inner energy” renewal
10. Nurturing a two-way street between the employees and marketing

How important tradition and brand loyalty are proves a research conducted among 1543 users in Great Britain (Economy.rs, 2010). The research is published with the aim of gathering information on possible threats in the market that could be caused
by the new “market players”, such as brand banks: Metro Bank, Project New bank, Tesco Bank and Virgin Money. The banks entering the British market have to fight for the clients and separate them from the security usage of the existing banks, and only 38% of users would consider transferring their accounts to a new bank, according to Switch research. Although 57% say that they have or consider alternatives to the existing banks in business districts, only 38% are ready to transfer the account into another bank. 31% of these say they are concerned whether the new banks have enough knowledge or experience in banking, while 11% say that they do not think their money will be safe in those banks. Despite the fact that trust into banks is on a very low level, a third of the respondents think that the new banks in the market cannot build client trust quickly.

Although quite faithful to the old banks, the clients describe too high interest rates 73%, subscription 74% and loyalty penalties 61% as the greatest financial providers’ faults.

In financial and banking markets in Serbia there were a number of changes influencing market structure and configuration after the year 2000. These changes have affected the adoption of marketing oriented banking sector and two-way communication with users. It is the user who has the key role in brand creation process today because brand value, service offer and corporate bank brand value are created in relation to his expectations and service perception (Petrovic, Zivkovic, 2015).

Management capability to realize these demands is caused by relationship development based on client confidence and loyalty to the bank in question and its products or services. However, business practice shows that there is evidently a high rate of lost clients per year, despite the banks efforts to keep the valuable clients (Cirovic, 2007). This situation caused a number of theoretical and empirical research focused on satisfaction determinants identification as well as client loyalty, and how to perceive their mutual relations.

This is shown in the research with a sample of ten banks in business in Belgrade in 2010. The following overview provides a picture on the share of the first ten banks in service providing on the sample of 1000 participants. The results of the research are shown in table 1.

Table 1 The share of the banks in customer service provision

<table>
<thead>
<tr>
<th>Bank</th>
<th>Share</th>
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<tbody>
<tr>
<td>Banka Intesa</td>
<td>24,7%</td>
</tr>
<tr>
<td>Komercijalna banka</td>
<td>20,6%</td>
</tr>
<tr>
<td>Raiffeisen bank</td>
<td>18,5%</td>
</tr>
<tr>
<td>Poštanska štedionica</td>
<td>17,1%</td>
</tr>
<tr>
<td>Societe General</td>
<td>8,2%</td>
</tr>
<tr>
<td>Hypo alpe-adria-bank</td>
<td>6,0%</td>
</tr>
<tr>
<td>EFC Euro bank</td>
<td>5,5%</td>
</tr>
<tr>
<td>HVB banka</td>
<td>4,9%</td>
</tr>
<tr>
<td>Pro Credit Bank</td>
<td>4,9%</td>
</tr>
<tr>
<td>Alfa banka</td>
<td>3,8%</td>
</tr>
</tbody>
</table>

Source: adapted from (Petrovic, Zivkovic, 2015)

For example, Vojvodjanska banka, although not included in the research, realises the importance of the brand. It can be seen on the official website: Vojvodjanska banka is an institution with a long tradition and it represents one of the most famous brands in the country (www.voban.co.rs).

In the process of brand creation and establishing good relationships with clients, two new phenomena or achievements have special roles when it comes to banks. Thus, for example, Nikolic, Stankovic and Simic (2014) point out that customer orientation...
and digitalisation of each business process are evident in world economy transformation from industrial into service economy. Introduction of Customer Relationship Management (CRM) concept contributes to acquiring and keeping client partnership, which creates an additional value. All of these things inevitably lead to comparative advantage, or in this case, better bank positioning.

Inasmuch as the bank realises the importance of the relationship with clients and does everything possible to nurture it, inevitably points to the fact that it also realises the importance of the brand. Widening the network with the information technologies, the bank comes closer to the clients, which creates additional expenses as well as income from the services provided. The strongest argument in this marketing field are professional staff, their service process and technical equipment.

Direct marketing represents one of the most productive ways of market communication of the bank with actual and potential customers for a product from the bank selection offer. It is based upon the client precise target segments. Thereby, the key mechanism is the database on clients (actual and potential ones). Database marketing includes the names, addresses, telephone numbers, faxes and e-mails of individual and potential customers, with the aim of market communication as well as results in sales and profit. The basic principles of database marketing are: targeting—specifying the target markets, selectivity, personalization, customer active participation, testing, easily available responds, measurability and relationship marketing (Koncar, Vukmirovic, Katai, 2005).

Since we have explained how complex a brand creation is, than it may be important in the end only to mention the opposition to rebranding. Rebranding in banking in our region. It is interesting that although most people choose foreign banks, that is, banks mainly owned by foreigners, these banks are not the best-known ones in Serbia. According to a research, domestic banks are still dominant as far as the name is concerned. Due to this fact, banks in Serbia which decided to take over the name of the transferee bank visibly changed the way the corporate symbols look, but unofficially opt for using both names in business. Banca Intesa acquisition of Delta bank can serve as an example (Ljumovic, Marinkovic, Milanovic-Golubovic, 2010).

**Conclusion**

Modern banking is facing various external threats which are primarily about a higher level of competition in financial markets, available market size, financial market globalization, sophisticated customers and regulatory, economic and political environment changes.

Marketing in banking should enable target market identification, find out its needs and wishes which dictate service creation and its price, develop an efficient marketing communication plan and bring the service closer to the customers through appropriate distribution network. Customer orientation demands market research development and development plan for meeting the market needs, in other words, marketing strategy development. Marketing strategy consists of target market choice and analysis, appropriate marketing mix creation and sustainability, (product/service, price, distribution and promotion). Marketing strategy includes the plan for the best means of organisation usage and objective reaching tactics.

Building trust in the bank-client relationship, and vice versa, is not just an accompanying phenomenon in banking. The race for the clients favour and nurturing of their loyalty is the result of increasing competition. Banking products
market is reflected through increasing demand, which requires fast reactions when it comes to marketing. Generally speaking, marketing was late in engaging in the area of banking, even in the developed countries in the West. In Serbia, it happened with even longer delay.

This paper discusses the importance of brand and branding in banking sector. Branding is the activity of vital importance because the organizations have to integrate it completely with their business operations in order to become and remain profitable. Bank employees are the best defenders of the brand. The point which makes an organization or a bank different from the others is the employees as the most subtle resource impossible to imitate-copy.

If we take into account the length of the period for creating a brand, then even a lightest destabilization can represent a danger to undermine the reputation. The tide of fusions, mergers, acquisitions and bank purchases has influenced rebranding in Serbia.

References