

DISTRIBUTION CHANNELS OF BANKING SERVICES – ATTITUDES AND PREFERENCES OF CLIENTS

GUZOVSKI Marina¹, RUDANČIĆ Andreja², ZGURIĆ DOBRENIĆ Vlatka³

¹ Libertas International University, Zagreb (CROATIA)

² Libertas International University, Zagreb (CROATIA)

³ Libertas International University, Zagreb (CROATIA)

Emails: mguzovski@libertas.hr; arudancic@libertas.hr; vlatkazd@gmail.com

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ABSTRACT

The purpose of this paper is to investigate how the development of information and communication technology affects the choice of distribution channels for individuals, users of banking services. The research aims to show and determine which factors influence natural users when choosing a bank, how technology development affects the distribution channels of banking services, which distribution channels are most represented in the banking sector and why, and whether banks invest enough effort in research its users as active participants in the process of distribution of financial services. The results of the research show that users of banking services are increasingly using digital distribution channels of banking services, of which mobile banking is the most represented, to become clients of a bank based on positive experience or previously opened an account by family. These are more complex services, but they prefer to go to the branch, and that banks do not conduct sufficient research on customer satisfaction, requirements and needs in terms of product or service development. The conclusions based on the conducted research represent valuable knowledge in this part, and only the research can be the basis for further research as well as the development of strategies for the management of distribution channels.

Keywords: financial services marketing, distribution channels, customer preferences, strategic role of distribution

INTRODUCTION

Intensive growth and development of the service sector, and the development of technology and the Internet, there are changes within the elements of the marketing mix, especially promotion and distribution, which is especially evident in the banking sector. Trends in banking, such as deregulation, advances in technology, the penetration of foreign banks into markets, and the diversity of banking services, have enabled great competitiveness in the banking sector. The survival of banks in the market depends on various business functions, but it also largely depends on the development of marketing strategies towards target markets. Recently, there is a need to integrate all marketing elements in order to better communicate with the target audience, encourage them to spend, give them benefit, and achieve long-term relationship and loyalty with customers. In addition to offering and selling products or services, distribution channels also have the role of gathering customer information, acquiring new customers, building customer relationships, marketing communication and branding. It is not an easy task for marketing professionals, because they have to constantly adapt existing and develop new marketing strategies in order to provide banks with a competitive advantage and satisfy all interested stakeholders. This can be achieved by listening to customer needs, and constantly and quickly adapting to changes in the market.

THEORY AND LITERATURE REVIEW

Technological changes and automation have affected all spheres of life, including banking products and services. In his research, Sićenica [1] states the necessity of applying the marketing concept and customer orientation by developing two-way communication and information exchange in order to define the attitudes and preferences of service users, to meet the expectations and build trust between the bank and the client. The choice of distribution strategy should take the impact of technology on the development of modern distribution channels, the cost of implementation and adaptability to new channels while creating additional value that allows differentiation of the service itself into account.

According to Kotler and Keller [2: 497], decisions related to marketing channels are among the most important ones that management must make. In dynamic and turbulent conditions, the emphasis is on channels that are adaptable and flexible [3: 292]. According to Palić [4], distribution channels are necessary for the functioning of the modern economy since they represent the way products and services are delivered to end customers. According to Enew and Waite [5], the factors of choosing a distribution channel are: market characteristics (market type and size, legislation, cultural factors, etc.), product characteristics (life cycle, technical complexity of products, etc.) as well as organizational characteristics (people, money).

Deregulation in financial markets has enabled the emergence of new financial institutions that also provide similar services as banks and thus create fierce competition in this market. Rose and Hudgins [6: 16] point out that the trend of growing competition has acted as an incentive to develop even more services in the future and to reduce business costs, thus the role of technological change in differentiation is key to determining clients' bargaining power since it affects the difficulty with which they pressure backward integration and in this they find a foothold in negotiation [7: 172]. The development of technology has enabled the success and efficiency of direct communication channels with target groups [8: 1494] that has the effect of competitive advantages and reducing costs in business. For bank clients, this way of doing business means time and space indefiniteness, saving money and greater bargaining power with banks, which affects the satisfaction that forms a vital structure in explaining any relationship between two or more participants [9]. Valuation refers to the comparison of price and quality, where if they are uniform then the value of the product and service is appropriate [10: 62]. Satisfaction is the feeling that occurs after buying and using a product or service if expectations are met or exceeded [11].

The competitive advantage of one institution over another is achieved in the part of creating the greatest possible subjective value of the service for users [12]. The level at which will relationships with customers and different market segments be built depends on the choice between basic, reactive, responsible and proactive to full partnership [13: 485]. Panova [14] states that banks determine the type of their business model by taking the level of competition into account, as well as the degree of its monopolization, the level of technical and technological equipment of the bank and competition, professionalism of bank employees and the ability of customers to use banking innovations. Proactive action is important to take advantage of opportunities and strengths, minimize threats and weaknesses from the environment and encourage the development of products and services in accordance with the needs and desires of customers [15] as well as the interests of a wide range of heterogeneous groups of customers, suppliers, creditors and many others [16]. Strategic marketing planning refers to identifying and directing towards the achievement of long-term goals, and strategic marketing creates the ability of banking institutions to adapt to changes in the market environment [17].

The creation of new digital technologies has led to new consumer behaviour that requires the creation and implementation of new marketing strategies [18], and one of the biggest challenges is the ability to generate and maintain deep user insight into a product covering correction, coverage, storage, search, sharing, analysis, transfer and visualization [19]. Given the changing habits of customers under the influence of technology, banks must apply different techniques and methodologies in order to be as successful and efficient as possible and ensure sustainable and profitable operations in the future [20].

According to the research on digitalization of Croatian banks, Smojver and Jolić [21] state that the application of digital technologies is a special challenge for banks as they face the challenge of ensuring availability, speed and ease of use of financial services on the one hand and security and trust of clients on the other side. Due to its specific characteristics such as speed, availability, flexibility and low cost, the Internet is an ideal distribution channel for banking services [22]

METHODOLOGY

107 respondents using banking services participated in the survey. The research was conducted online via the Google Forms form, anonymously during July 2021 (from July 1 to July 31, 2021), in the territory of the Republic of Croatia. The questionnaire consisted of 24 closed-ended questions (pre-offered answers), and for the purposes of this paper, 15 questions from the questionnaire were analysed.

The results of the research conducted through a questionnaire are presented below, and relate to research questions: What factors influence the choice of bank among natural persons? Which distribution channels are most represented in the retail banking sector and why? How prone are banking users to digital distribution channels? To what extent have banks explored the preferences of their customers as active participants in the process of distributing financial services.

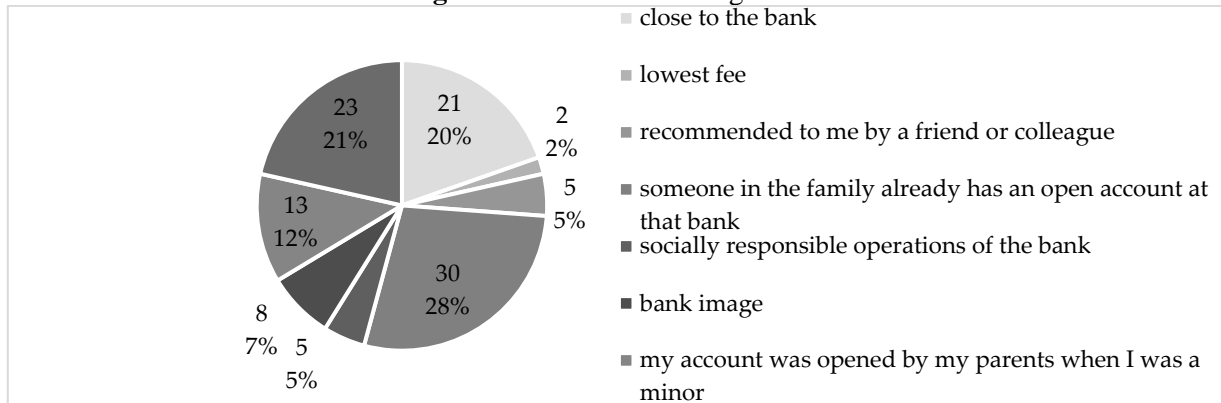
REASERCH

Of the 107 respondents who participated in the study, 78 respondents are female, which is 73% of the total number, and 29 respondents are male, which is 27% of the total number of respondents. With regard to age, the majority of respondents are from 46 to 55 years (39%), followed by respondents from 36 to 45 years (22%), from 26 to 35 years is 15% of respondents, from 18 to 25 years is 14% of respondents, 8% of respondents are from 56 to 65 years old, and at the age of 66 and over only 2% of respondents.

According to their education, most respondents have a secondary education, 51 or 48%, followed by higher education, of which 30 or 28% have a university degree, 17 have a university degree or 16%, and 7 have a master's degree or 6%, doctors of science 1% or 1 respondent as well as those with primary school. According to employment status, most respondents are employed, 80 or 75%, followed by unemployed respondents, of whom 9 respondents or 8% as well as pupils or students. Occasionally employed respondents are 2 or 2%, and retirees 7 respondents or 7%. The results of the survey show that the largest number of respondents have a monthly personal income (net) in the amount between HRK 5,001.00 and HRK 8,000.00. They are followed by respondents with monthly incomes below HRK 5,000.00 net of 27 respondents or 25%, 10 respondents (10%) have incomes from HRK 8,001.00 to HRK 10,000.00, and more than HRK 10,000.00 have 10 respondents or 9%. Furthermore, the respondents expressed their opinion on the reasons for choosing the bank with which they currently have the status of a client. Some of the above reasons are: proximity to the bank for 21 respondents (20%), lowest fee for 2 respondents (2%), recommendation of friends, colleagues for 5 respondents (5%), someone in the family already has an account / s that bank for 30 respondents (28%), socially responsible business of the bank for 5 respondents (5%), the image of the bank for 13 respondents (12%) and the account was opened by parents when I was a minor for 23 respondents (21%). The results of the survey show that the family has a great influence on the choice of the respondent's bank, i.e., one of the members already has an account in that bank and by oral recommendation, he shared his positive experiences with the family member.

The influence of the family, i.e., the parents, is also visible in the fact that 21% of the respondents stated that their parents opened a bank account for him when he was a minor. Parents open accounts for minor children in the case when children must have an account to which they receive school grants, awards during practical work, fees for students during dual education, receipts for work through student services, scholarships, sports scholarships, awards for sports achievements, benefits paid to amateur athletes, etc. Parents will most likely open an account for underage children in the same bank where they already have an account. The proximity of bank, which should be located in the city centre, near traffic hubs, stations, etc., also has a great influence on the choice of the bank.

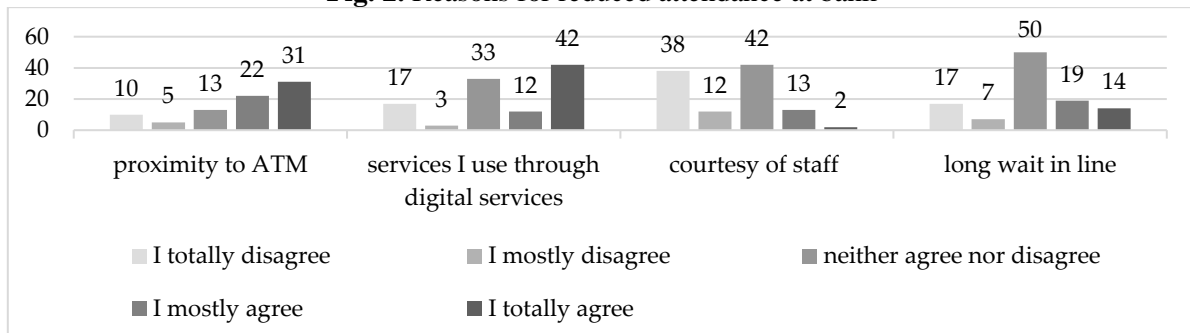
Fig. 1. Reasons for choosing a bank



Source: Author's research

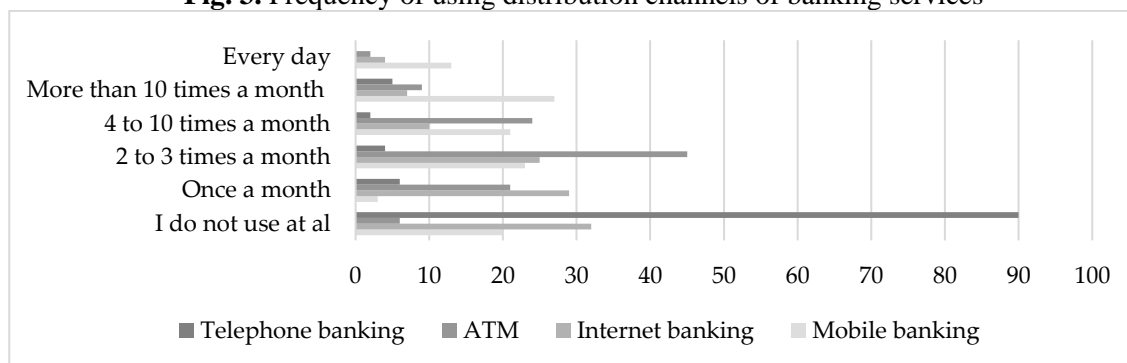
On the way of using banking services through various distribution channels, respondents stated that they mostly use mobile banking, 69 respondents (28%), ATMs 70 respondents (28%), Internet banking 51 respondents (20%), branches 53 respondents (21%), telephone banking 3 respondents (1%) and all of the above 5 respondents (2%). The next survey question referred to the frequency of use of the bank branch and the respondents gave the following answers: less than once a month – the branch is used by 90 respondents (84%), once a month 7 respondents (7%), 2 to 3 times a month 8 respondents (7%), 4 to 10 times a month 1 respondent (1%), more than 10 times a month 1 respondent (1%), every day 0 respondents (0%). The results show that as many as 90% of respondents use the bank's branch less than once a month. The remaining 10% of respondents use the branch more than once a month. Furthermore, respondents expressed their views on the frequency of branch use compared to previous years, and 81 respondents (76%) said that they use the bank branch less than in previous years and with the same intensity as in previous years 26 respondents (24%). The largest number of respondents believe that they use the bank's branch with reduced intensity because they use the services through digital services, and as another reason they state the proximity of ATMs. Unfriendly staff does not have a significant impact on the reduced number of departures to the branch, nor the long wait in line.

Fig. 2. Reasons for reduced attendance at bank



Source: Author's research

In the following survey questions, respondents commented on the frequency of using different distribution channels of banking services such as: mobile banking, internet banking, ATMs and telephone banking. The answers of the respondents show that 19% of respondents do not use mobile banking, while the remaining 81% use it in the range of: 3% once a month, 21% two to three times a month, 20% four to ten times a month, more than ten times a month 25%, and it is used daily by 3% of respondents. 30% of respondents do not use Internet banking, while the remaining 70% use it in the range of 27% once a month, 23% two to three times a month, 9% four to ten times a month, 7% more than ten times a month, and use it daily 4% of respondents. 6% of respondents do not use an ATM, while the remaining 94% use it in the range of 20% once a month, 42% two to three times a month, 22% four to ten times a month, 8% more than ten times a month, and 2% use it daily respondents. As many as 84% of respondents do not use telephone banking, while the remaining 16% use it in the range of 5% once a month, 4% two to three times a month, 2% four to ten times a month, 5% more than ten times a month, and use it daily 0% of respondents.

Fig. 3. Frequency of using distribution channels of banking services

Source: Author's research

As reasons for not using digital services, most respondents state the lack of knowledge about digital services, which is an obstacle to their use, but also the fact that there are always some customers who will prefer to provide services at the counter in contact with bank staff. To a lesser extent, respondents cite fear of error (and correction of the same) and distrust in the security of digital services as very important reasons for not using them. Some of the reasons they also mentioned are: too high fees, non-fulfillment of agreed services, unsatisfactory quality of service and others. The services that respondents use the most through digital services are: checking the balance on accounts, transferring funds to other accounts, and controlling card costs. They use digital services a little less to pay bills and loans, and the least to contract loans, then to save and invest, and then to take out insurance. Respondents use digital services mainly for simple and non-demanding operations. Among the more complex transactions that can be contracted through digital services is contracting loans, and respondents gave the following structure of answers about the amounts and terms of loan repayment that they would realize through digital services: 13% of respondents would take out a loan of up to HRK 10,000, 16% 10,000 to 50,000 HRK, and in the amount of more than 100,000 HRK only 3% of them. The terms for which the loan would be realized through digital services are: with a repayment period of up to 1 year, 5% of them, with a repayment period of 2 to 5 years, 11%, with a repayment period longer than 10 years, only 5%. As many as 47% of respondents would never realize a loan through digital services. Respondents would realize loans in digital amounts in smaller amounts and with shorter repayment terms, while larger amounts and longer repayment terms would still be realized in the bank's branch. Survey results show that banks in the last 5 years have not shown interest in the opinion of their customers so that based on the data obtained they could improve their services in as many as 45% of respondents. In 28% of respondents, the survey was conducted by the bank only once in five years, which is also rare. Two to three times the survey was conducted in 17%, and more than three times in 12% of respondents.

According to respondents, the most important element by which banks should retain their customers is the speed and quality of services (20% of respondents), followed by: educated and friendly staff (19%), prevalence and availability of branches and ATMs (16%), loyalty and reward system regular customers (15%), innovative services tailored to customer needs (13%). The image of the bank is important for only 5% of respondents to retain customers.

CONCLUSION

According to the research conducted on the choice of the bank for the users of natural persons, decisions are most often made on the basis of the recommendations of family members who already have open accounts in that bank. For a large part of the bank's young clients, bank accounts were opened by their parents when they were minors. For very young children, parents usually open savings accounts in the bank, and later accounts for which children receive various benefits. Mobile devices have become necessary in everyday life and work and life without them has become unthinkable, and survey research has shown that the use of banking services is the most common distribution channel mobile banking and one of the possibilities for further action is to develop products and services to raise children's awareness of financial literacy and money management from an early age. Mobile banking is followed by internet banking in terms of frequency, followed by ATMs. Telephone banking is used by a very small number of clients, as well as branches that were once the only distribution channel for banking services. Users of

banking services use digital distribution channels because they like the advantages that these channels provide, and these are primarily time and space infinity. A small part of the users does not have the knowledge or trust in the use of digital channels or prefer to use the services in contact with a “live” person. In addition, there are services (e.g., loans of large amounts, long repayment periods, complicated repayment insurance, etc.) where in addition to information obtained through digital services, it is necessary to further define all elements, and for this, clients need contact with a bank official. The results of the research show that banks do not show much interest in collecting data directly from their clients, but make decisions based on their databases. Banks should use the contact information they have about their customers, contact them regularly and find out more about their preferences. If necessary, they could offer some benefit to the clients for the time spent. In this way, clients would have the feeling that they are active participants in the process of distributing banking services, that they have contributed to the development of products and services, and that they themselves have received something in return.

For the bank and the client, this would be a “win-win situation”.

The results of this research should be observed taking into account the limitations of the research since the analysis used a suitable sample and can not be generalized but viewed as indicative, but can serve as a basis for further research to be conducted on a representative sample of customers opinions, attitudes and experiences.

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