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## SYSTEM OF BANKING MARKETING: THEORETICAL APPROACHES AND TRENDS OF MODERN PRACTICE

## СИСТЕМА БАНКОВСКОГО МАРКЕТИНГА: ТЕОРЕТИЧЕСКИЕ ПОДХОДЫ И ТЕНДЕНЦИИ СОВРЕМЕННОЙ ПРАКТИКИ

### ANNOTATION

Current trends in the theory and practice of banking marketing are analyzed. A brief description of the banking services market is given, specific features of the banking product are indicated. The role of the bank in the market of models B2C, B2B, B2G is shown. It is noted that in the market of banking services there is a transition from classical marketing concepts to marketing, built on a client-oriented approach, forming customer loyalty through innovative marketing ideas, the use of information technology, the Internet. Also is considered the influence of the level of corporate culture on the bank's image, on various aspects of the bank's marketing activities, including in the moral and ethical plane.

**Keywords:** bank marketing, market of banking services, market models (B2C, B2B, B2G), trust, customer orientation, corporate culture.

### АНОТАЦІЯ

Аналізуються сучасні тенденції в теорії і практиці банківського маркетингу. Дана коротка характеристика ринку банківських послуг, вказані специфічні особливості банківського продукту. Показана роль банку на ринку моделей B2C, B2B, B2G. Відзначається, що на ринку банківських послуг спостерігається перехід від класичних маркетингових концепцій до маркетингу, побудованому на клієнтоорієнтованому підході, формуванні лояльності клієнтів за рахунок інноваційних маркетингових ідей, використання інформаційних технологій, Інтернету. Розглянуто вплив рівня корпоративної культури на імідж банку, на різні аспекти маркетингової діяльності банку, в тому числі в морально-етичній площині.

**Ключові слова:** банківський маркетинг, ринок банківських послуг, моделі ринку (B2C, B2B, B2G), довіру, клієнтоорієнтованість, корпоративна культура.

### АННОТАЦИЯ

Анализируются современные тенденции в теории и практики банковского маркетинга. Дана краткая характеристика рынка банковских услуг, указаны специфические особенности банковского продукта. Показано роль банка на рынке моделей B2C, B2B, B2G. Отмечается, что на рынке банковских услуг наблюдается переход от классических маркетинговых концепций к маркетингу, построенному на клиентоориентированном подходе, формировании лояльности клиентов за счет инновационных маркетинговых идей, использования информационных технологий, Интернета. Рассмотрено влияние уровня корпоративной культуры на имидж банка, на различные аспекты маркетинговой деятельности банка, в том числе в морально-этической плоскости.

**Ключевые слова:** банковский маркетинг, рынок банковских услуг, модели рынка (B2C, B2B, B2G), доверие, клиентоориентированность, корпоративная культура.

**Formulation of the problem.** In market conditions of management, financial organizations are faced with competition issues. Of course, each organization develops its own policies and technologies to maintain its competitiveness. Competition in the banking market is one of the factors for conducting research, studying the needs for banking services, developing new types of them, fighting for customers, which implies a wide application of the marketing system. Initially, individual marketing elements were introduced into the practice of work (study of demand, advertising, etc.), in the 1980s. marketing has become a part of the management of the bank. At the same time, today in theory (both in financial science and in marketing science) there are no generally accepted approaches to the definition of a banking marketing system as a system, as a set of banking practices (technologies) for the use of marketing tools. The current market situation in the country, the state of the national banking system encourages every bank in Ukraine to improve its activities constantly, using marketing tools and ideas, innovations of information technologies. In this context, it is important to study the peculiarities of banking marketing, to identify the main trends of its modern practice, and to clarify the theoretical approaches.

**Analysis of recent research and publications.** A significant number of domestic and foreign authors devoted their scientific works to the study of theory and practice of banking marketing, including the use of a marketing mix. Among the Ukrainian authors should be called I.A. Liuty, M.V. Malchika, I.A. Gontarenko, V.A. Tkachuk, L.F. Romanenko. At the same time, this issue is rather multifaceted and requires further research taking into account the current conditions of economic development.

**The purpose of the article** is deepening of the research on the theory and practice of banking marketing, to determine current trends in the marketing activities of Ukrainian and foreign banks.

### **Presentation of the main materials of research.**

In the system of economic relations of financial markets, including banking markets, one of the components is banking marketing. In order to increase the efficiency of its activity, banks resort to improving marketing tools, which contributes to the growth of reliability, financial stability and competitiveness. The market of banking services is considered to be specific, as it differs from other markets by the features of relations and the role of state regulation. In general, banking is the use of money in various forms, qualities and manifestations: the money of enterprises and of the population, the money of other commercial banks, the money of the Central Bank, in the form of cash or payment documents, as well as the fee for obtaining such money [7].

At present, there is no single approach to the definition of marketing of banking services, and neither the conceptual apparatus, nor the analytical base, nor the principal approach have been studied. Only such components of economic science as "banking service", "banking marketing", "banking services market" are defined.

To expand existing markets and to win new banks, they improve the provision of existing services and introduce new ones, coordinating them with market and time requirements. But in order to get new customers, banks need to study consumer demand, analyze the market of competitors and make a plan of action to promote their product, that is called a marketing strategy. Since the bank is a commercial institution, it aims to maximize profits. The realization of products and services is the most important task in the activity of any company operating in the market, therefore one of the goals of the bank's management policy and the activities of all its services is to attract customers, expand the sales of its services and conquer the market and, as a result, increase profits. On the other hand, no less important function of any bank is the function of the public financial and credit institution, in the course of which the bank strives to satisfy the financial needs of its customers, gain their trust without destroying the moral integrity of the individual [11].

The current market situation in Ukraine, the state of the national banking system prompts the bank to constantly improve its activities. To survive in the competitive struggle, the bank must introduce new types of services into practice, fight for each client, and form a trust area. Thus, marketing activities in the bank, in addition to traditional marketing functions, include:

1. Proposal of the optimal assortment of banking products and services, based on the bank's technological capabilities and market requirements.
2. Proposal of a system of incentives for employees to sell banking products and services.
3. Maintaining and developing the bank's image as a reliable, customer-oriented organization, which they trust.

Therefore, in the course of their activities, banks are faced with the need to address a variety

of specific issues in addition to those dealt with by enterprises of other industries operating in the real sector of the economy, including issues of a moral and ethical plan.

Let's give a brief description of the banking services market. Banking service is, on the one hand, an expression of the bank's intention to satisfy certain needs of potential customers (legal entities and individuals) in these socio-economic conditions, on the other hand, providing services to its customers.

In addition to the intangibility, inseparability from the source, impermanence of quality, non-conservation, we distinguish the following distinctive features of banking services: the contractual nature of banking services based on trust, the connection of banking services with monetary relations, which are also trust relations, the length of the sale-purchase act for time, compilation of needs, science intensity, manufacturability, regulation, individuality, labor intensity, propensity to take risks (Table 1).

These characteristics in an obvious form standardize banking services in the financial services market, which in turn limits banks in the development of new products that differ fundamentally from the services of competitive banks. In this regard, the set of services of individual banks is highly uniform and standardized. Therefore, the consumer chooses a serving bank not only guided by the price characteristics of products, but also by a personal attitude towards the financial institution, on the basis of trust, and therefore moral characteristics.

Therefore, marketing activities in the bank should be oriented not only to studying the market and consumers, but also to studying internal processes, as well as building the most effective relations between the bank's staff and the client, and the most effective relationships between the bank's divisions and management. That is, the effectiveness of the banking business depends not only on the number of clients, but also on the "system of labor relations", based on the fundamental principle of human relationships, namely trust.

In this regard, marketing activities in the bank also include:

1. Studying the motives of the client, which encourage him to use certain services. Each client has its own motives, both positive and negative of using certain services. The dominance of the first motives over the second retains the client. Gradual change in the ratio of these motives in favor of negative leads to the client's refusal from the service or a number of services, as well as the financial institution. Therefore, it is important for the bank to possess and use analytical information about the motivation of its clients, the motivational changes that occur. This is done in order to improve the quality of the services provided and to see the customer.

2. Studying the client's attitude to a risk. Risk is the probability of a negative event. The client, using this or that service, "enters the risk zone" and quite

Table 1

## Distinctive features of banking services

Features of banking services	Characteristic
The contractual nature of banking services	Providing an absolute majority of banking services involves the conclusion of civil contracts between the producer and consumer
Relationship of banking services with monetary relations	Providing of basic banking services involves the use of money in various forms
Length of the purchase-sale act by time	By providing any banking services, including those that presuppose remote maintenance, a certain time passes from the initial stage to its end, the consumer can't always calculate that time and the course of it for him is initially uncontrollable
Compilation of the needs	Financial needs, satisfied by banking services, are secondary, derived from primary personal needs. And this means that the consumer poses higher demands to the choice of banking services and financial institutions, because the satisfaction of financial needs is not vital
Science Intensity	Banking service is a complex product that requires special knowledge from the consumer and the professional knowledge and skills of the bank's staff
Manufacturability	Each service of the bank has a certain technology (procedure) of provision or practical implementation. This characteristic implies the presence in the credit and financial institution of specialized software and the latest technology.
Regulation	Banking activities are regulated by legislation, as well as by internal regulations that ensure a clear division of the functional duties of personnel, compliance with service delivery technologies, such regulations let minimize staff errors, and avoid abuse
Individuality	Banking services are provided individually, taking into account the specific features and needs of each client
Labor intensity	Reflects how much work is being done and how many employees are employed in the process of providing the service. That is, labor intensity implies the obligatory participation of personnel in the provision of services.
Propensity to take risks	To perform the function of financial intermediation, banks have relatively low share of equity in liabilities compared to non-financial companies. The extended leverage of the financial leverage predetermines the increased riskiness of bank liabilities, a noticeable discrepancy between the time structures of liabilities and assets and the critical dependence of banks on the trust of many investors

naturally manifests uncertainties and doubts. Therefore, the bank should make the services offered to the potential client understandable, convenient, in the economic sense they should be appropriate, in the moral sense they should be value-based.

3. Development of recommendations for managers on the incentive system for bank employees. To implement services, individual channels of communication or communication with potential and existing customers are important: personal communication; telephone conversations; contacts via mail, e-mail, etc. Sometimes the client's first contact with the bank is decisive in choosing such organization as a long-term partner.

Thus, the system of services realization from the point of view of organization and management in the bank consists of personnel, planning and incentive components, which in their totality in principle should ensure its effectiveness or efficacy.

For the first time, the concept of bank marketing began to be developed in the USA in the 1950s. The need to use marketing in banks of Western Europe came in the 1960s. By the mid-1970's. banking marketing has received prevalence in all Western countries. Specialists note that over the past 40 years, bank marketing has changed dramatically, it has been viewed not only as a technology, but also as a philosophy [1].

Under banking marketing, today the most widely understood is the complex system of organizing the creation and marketing of banking

products, focused on satisfying the needs of specific consumers and making profits on the basis of studying and forecasting the market [8].

The main features of the application of marketing in banking are as follows:

- the orientation of the bank on the needs of clients (marketing philosophy);
- application of a whole set of market policy instruments (marketing mix);
- systematic coordination of all kinds of activity in the sphere of sales (marketing management) [9].

Specificity of banking services is also due to the fact that it is the establishment and maintenance of credit and money relations in the markets of B2C, B2B and B2G models. Let us consider in more detail the features of these markets.

The market assumes the existence of entities that act as sellers and buyers. Traditionally, in theory and practice, the subjects of transactions can be:

- state (G, government) – a legal entity;
- enterprise (B, business) – legal entity;
- customer, consumer (C, Consumer) – individual [3].

Depending on the types of carried out transactions there are the following models:

- B2G, G2B (Business to Government, Government to Business) – interacting entities are enterprises and the state;
- B2B (Business to Business) – interacting entities are enterprises;

– B2C, C2B (Business to Consumer, Consumer to Business) – interacting entities are enterprises and individuals (customers, consumers);

– C2C (Consumer to Consumer) – interacting entities are individuals.

So, the B2G market model is the relationship between the bank and the state, that suggests that banks can influence the state by providing loans to government authorities, changing the volume of transactions with currency and government securities and changing its credit policy towards domestic enterprises.

A feature of commercial banks is that they have obligations to the Central Bank, which belongs to the state (form of ownership is state). State banks are credit and financial institutions, the state owns controlling stakes. Fundamental in the activity of such banks is its subordination to state national interests (for example, maintaining the stability of monetary circulation through the system of issuing banks, financing development programs of certain industries, facilitating the attraction of foreign investments, etc.) [4].

Thus, the state in the banking services market acts not only as a client (a recipient of banking services, like any other natural or legal person), but also as a controller and coordinator of the commercial bank's activity.

The "Business for Business" (B2B) market model is a marketing activity of the company focused on receiving benefits from the provision of services, selling the goods to other companies where the object is a commodity, a service, and subjects are legal entities interacting in the market field [2].

Modern specialists in marketing identify a number of features of the B2B market:

– accounting for specific features of the activities and needs of the industry as a whole;

– orientation on conditions and a state of a competition in the branch B2B market;

– comparison of customer needs and company characteristics;

– the dependence of demand for goods and services of this market on the demand for consumer goods;

– intensity and scope of service delivery;

– the development of analytical techniques, predicting sales volumes, for planning the volume of production, determining financial needs, and so on [6].

In such market banks attract organizations for their servicing on salary projects using bank

cards, performing functions for the rapid distribution of funds, providing lending opportunities for organizations and employees, etc. An example of B2B also serves the integration of the banking services market with the cellular market and the market provision of information services (payment for purchased goods and services based on the use of contactless bank cards).

A significant role for banks belongs to the B2C market model [4]. This is particularly relevant in the context of an increase in the level of capital raising in the household sector. Banking is customer-centered, therefore, it is necessary to study customer requests and develop an optimal and sometimes individual bank product.

A banking product is a set of modified banking and financial transactions to solve a customer's need that can be positioned as a new banking service or a combination of traditional bank services, aligned in a technology chain that allows to solve a specific customer problem and satisfy its demand in integrated services [4].

Scientists and practitioners urge that the modern concept of banking marketing should be aimed at the effective formation of its own memorable brand, advertising of banking activities, providing feedback to the client, emphasizing the use of modern information technologies and improving the professional and personal qualities of staff, that is should be focused on meeting the needs of market customers [5].

To date, banking marketing is not only the organization of links in the marketing service or marketing activities to optimize the client base of the bank, but also the development of loyalty programs for existing customers.

In the field of marketing of banking services market is characterized by the following phenomena:

1. A comprehensive study of the banking services market by an increasing number of banks, including in order to reduce the risk.

2. Segmentation of the market to meet the real needs of customers.

3. Development and implementation of banking innovations.

4. Modernization of existing banking products as an element of marketing policy of banks.

5. Work on forming the image of products offered by the bank to the market.

6. Implementation of timely reaction of the bank to the actions of competitors.

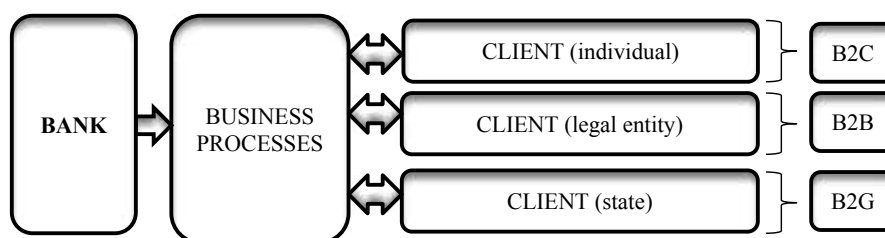


Fig. 1. Bank as a subject of B2C, B2B, B2G markets



7. Involvement in the development of new ideas and types of banking services for the marketing department, employees of the bank, clients.

8. Increasing role of the bank's communication policy.

9. Personalization of bank marketing.

10. The widespread introduction of information technologies into the marketing activity of the bank.

11. Application of successful marketing experience of foreign and domestic banks, implemented through new products or projects [9].

Positive dynamics of banking marketing provides the opportunity to provide banking services via / or using mobile phones, mobile devices and stands, the Internet. Introducing new types of Internet banking, integrated information mobile systems, effective use of the bank's website, offering new types of banking services in the network, appears a real opportunity to form a new segment of "network" customers of the bank. The so-called "Internet generation" ("generation Y") people aged 20-35 years increasingly prefer online banking or financial transactions through mobile applications [12].

Banking marketers come to the conclusion: the more accessible the service, the more likely it is to attract the client's attention to it. Self-service is a new trend in the development of global banking. For example, according to data compiled by Celent (USA), in 2015 mobile remote access to the bank was used by about 20 million consumers. The results allow to make decisions on bank restructuring by reducing the branch network and create programs to provide services in an electronic environment. The possibilities of the Internet have allowed Micronotes to create a widget for sites through which the site owner can communicate with their visitors and find out what interests them. This program allows to orga-

nize short-term interviews with customers in the real-time mode via the web interface. Technology Micronotes involves the appearance on the bank's website of an unobtrusive dialog box, in which the visitor is asked specific questions about his financial needs and creates a product that he needs. The trend is that soon most of the payment transactions of individuals will be carried out using mobile devices and the Internet.

Drawing a conclusion, we note that to date, the marketing strategy of both Ukrainian and foreign banks assumes the bank's priority orientation not on its product as such, but on the real needs of customers. Modern banking marketing is a thorough study of the market, an analysis of the changing tastes, inclinations and preferences of consumers of banking services. Of course, today in the conditions of active business development, especially in the field of retail business, banks are trying to seize a greater number of customers. However, this approach sharply reduces the quality of services. As a result of the so-called "human factor", multiple mistakes occur, a sharp expansion of the staff leads to a reduction in the qualifications of the personnel and a high level of "staff turnover," the impossibility of strict control leads to abuse of official authority, low pay is a disincentive. All these factors lead to a deterioration of the bank's image as a reliable financial structure, the level of confidence in the bank falls, all these factors are reflected in the ratings of banks, which in turn can lead to a decrease in the bank's profit. The influence of the level of corporate culture on certain aspects of the business of a commercial bank is given in Table 2.

The classic functions of marketing and sales today have almost exhausted their potential in the sphere of banking services. Therefore, there is a need to move to a new level of marketing, which not only predetermines the demand for new banking products, but also serves as a source of infor-

Table 2

### Influence of the level of corporate culture on various aspects of the business of a commercial bank

Bank performance indicator	High level of corporate culture	Low level of corporate culture
Level of reputation risk	low	high
Attitudes of managers to staff	human labor as the highest value	resource of production
Flow of staff	low	high
Misuse of official position	no	present
Priority competences of employees	professionalism, initiative, responsibility	initiative, responsibility, career growth, gaining power, increasing income
Coincidence of personal goals and objectives of the company	coincide	do not coincide
Wage level	worthy, corresponds to a professional assessment	low
Customer orientation	Customer-oriented of all employees	is absent
Teamwork	present	no
Encouraging the initiative	yes	no
Customer satisfaction	high level	low level
Value of service for the client	high	low
Effectiveness of activities	high income as a result of synergies	low level of income due to a formal attitude to work
Risk of losing customer base	low	high

mation for the bank's management about the level of customer satisfaction, the customer's value of services, ways to stimulate the sale of services by bank employees, and identify strengths and weaknesses in the technology of service provision.

Therefore, it is necessary to create a management model based on marketing functions, where the central place occupies the labor of a person, such model should be capable to create an added value of a banking product and increasing its value for the consumer. In our opinion, this system consists of the following elements:

1) corporate culture, in the center of which is trust, as a system of moral (wider – cultural) practices, on the basis of which is regulated the system of bank marketing;

2) assessment of work, as well as through moral and ethical characteristics;

3) stimulating system of organization, oriented on the formation of social capital of trust.

The reasons for this choice are, firstly, the socio-economic situation that has developed in the country. Secondly, the lack of both experienced and morally responsible specialists, which largely influences the level of competition between enterprises. These reasons have determined the new approach of financial institutions to personnel management, as to a certain philosophy and strategy of human resources management. The objective trends in the development of the domestic banking system have caused significant changes in the nature and content of the work of bank employees and in the methods of managing the bank's staff. Features of labor of bank employees are determined by the peculiarities of banking services:

1. Increasing competition in the market forms new types of activity in the labor structure, for example, the development of strategies and tactics, competitive personnel policy, as well as new characteristics of responsibility that lie in the moral and ethical plane.

2. The work of a bank employee is evaluated not so much by productivity as by its utility for the consumer, especially considering that mistakes made can cause certain difficulties both for clients and for the bank as a whole, which means that it is also estimated by the employee's contribution to formation of a trust to the bank.

3. High sensitivity of the bank from personnel incompetence.

4. The need for high computer literacy of the employee and ensuring the confidentiality of client information.

5. The performance of banking operations is associated with risks, which orient labor activity on their accounting and evaluation.

6. With the expansion of specialization and the expansion of the range of functions performed by one specialist, the degree of delegation of authority increases, which leads to an increase in the requirements for the independence and initiative of employees.

7. The predominance of the mental nature of work and the nervous and emotional costs when it is performed increase the level of stressfulness of the work of bank personnel.

Conclusions. Currently, it is quite difficult for a commercial bank in Ukraine to develop a modern marketing strategy, to use a set of innovative marketing tools, to conduct a qualitative selection of personnel. There is a need for a serious approach to the development of corporate culture, since minimal investments and maximum use of human resources allow the company to win in competition. Important in this matter is the definition of the concept of "competitive advantage" in the development of corporate banking culture. The force of attraction to the organization of human resources and their use in the banking marketing system is expressed through it. Accordingly, the strong competitive advantage of the organization's culture, based on the individual, the person reflects its qualitative difference from the others, while it is understandable and carefully thought out for a certain group of personnel, and in general the system of bank marketing.

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