

On the Strategic Planning for Bank Marketing

Atsuyuki Fukaura

Blanca Rosa Mou Su

INTRODUCTION

The increasing competition in the banking industry and the globalization of the financial markets have raised the importance of "Marketing" as an important tool in order to help a bank to gain strong position in the market.

The banking industry has been suffering significant changes throughout this decade. Occurrences as the culmination of the European Community program in 1992 that altered the environment of the financial service suppliers. Furthermore, from January '99, the European Community is there with a new great challenge, the European Union Euro (EUE), new currency that could revolutionize the global financial market. Expectations, innovations, processes of all financial markets and international agreements will have changes, accordingly, banking industry will start to restructure their strategies to secure their presence in the market place.

On the other hand, the increasing expansion to other economic sectors and the technological information has created a financial service sector completely competitive controlled by the demand.

Traditionally in banking industry, consumers of financial services were going to the banks to satisfy their financial needs but that had changed, the increasing competition motivate suppliers of financial services to go out to market customers arriving to them with solution for their financial needs. This fact had increased more the competence in the industry, and the United States and European banks have found the importance and necessity to include as a response, strategic marketing functions.

In the contents of this research you will find aspects that banks must contemplate in their marketing planning.

1 . The Changing Atmosphere on Banking Industry for the coming decade.

A new challenge on banking industry is clearly established and only the best will outlast this exciting time of changes. Innovations, technology, good strategy marketing, all are some of the tools required in this economic war.

Merge is the option that many financial institutions are adopting and “BIG” has become the favorite words in Global Banking Investment. Some small banks may continue as niche operators, others may disappear. Middle ones may either find partners or expect to be driven out of business. An example of financial merge is the recent new giant emerging from Citicorp and Travelers’ merge, the Citigroup.

Even though, power institutions have been merge to compete in the global market as Citicorp and Travelers do, members of these organizations must keep the strategy of excellence and stability in their services, products and prices. On the contrary, customers who have been working with would

prefer to work with smaller rivals.

“James Record, a bank analyst at SNL Securities, said that, as big banks try to outgrow rivals by acquiring or merging, the stock market has sensed that they are starting to care less about what they pay and are thus forking out premiums that are hard to justify. The financial elite may be sold on the notion that bigger is better, but those who buy and sell their shares are not convinced”¹⁾.

Banking industries around the world are increasing their level of macroeconomic activity as a consequence of the stronger competition

In this section of this research we will contemplate, the changing atmosphere on banking institutions for the coming decade from the point of view the globalization, powerful competition, information technology, bank regulation.

a. Globalization

The expansion of financial institutions toward global market has been related with regulations in the domestic market and the advantage of the technological information. These regulations in the domestic market force banks and financial institution to look out for another markets as the only way to growth.

The development of global markets could be achieved according to the organization’s ability in find the solution of the differences between the national regulation and banks’ ambition. Those barriers forced bankers and financial institutions to struggle to look for opens markets. Now the global market is turning to a new and complex performance, merge of global firms.

1) The Economist June 20th 1998

Cover long markets and be the biggest.

Some of the recent merged banks are:

- a. Citicorp is to merge with Travelers to create the Citigroup, biggest financial group.
- b. Union Bank of Switzerland is to merge with Swiss Bank Corporation to create the United Bank of Switzerland, the Europe's biggest bank and the world's second biggest.

These banks are small pieces in the global investment banking business. "Few commercial banks as Barclays and Natwest in Britain have pretty much given up the race by selling or closing part of their troubled investment-banking operations. Others banks have been scrambling for partners that can add to their size and reach."²⁾

In theory, all investment banks have to be able to turn attractive profit and more when eminent institutions have been merged. Then the question is how to conserve ideal operations and powerful customers? Merger include many changes in the organization structure and as fast and correct action any bank take to be reorganized, reestablishing the new strategic marketing plan, if it is necessary, they would be capable to keep their market power. Monitoring, analyzing the marketplace continuously provide the best response to satisfy potential borrowers and others customers financial needs.

b. Powerful Competition

Market research has found that consumers enter to markets where they can get the best and faster service for their business transactions. Actual consumers like easy ways to do business releasing them form one stress.

2) The Economist December 13th 1997

Mean that every institution should work simultaneously with these necessities.

In the close future if the merged firm do not organize its portfolio in the precise time, might not be easy for them to manage the huge risk they are running therefore smaller and powerless firms may take advantage of the situation. Many bankers think the losses will be at the beginning of the merger, they believe as banks learn better management techniques they will recover the control into place. Other bankers thinking is as banks grow bigger and more complex, it may become more difficult for the managers to understand and control the risk they run.

In short, any type of customer will turn to the firm that offer the minimum forms and the easy way to do business. Whichever is the market the bank has decided to strengthen in, a planning strategic marketing plan should be carefully elaborated because borrowers and customers will not wait to any firm to be organized, keep always in mind that tigers are outside looking for the first opportunity to attract your clients. In such condition, marketing technique take place, while some banks are negotiation the merger, others are "Picking off unhappy customers in the wake of the merger"³⁾.

Officials of National Penn Bank of Pennsylvania are taking advantage of the customer dissatisfaction with bank merger and acquisitions (M&A). This is the opportunity the bank found to create a program to capture dissatisfied customers thus the bank open a campaign with the slogan "What's in it for me". This situations open opportunities to interesting competence. In the chapter four you will see how National Penn Bank market its new

3) Financial Services Marketing, Supplement to the American Banker. September '98

product combined with cross selling.

c. Information Technology and Communication

Make full use of the advantage in the information technology facilitate any transaction in banking institutions.

Technology information's development have been improving the importance evolution in the relations between consumers and commercial firms, the relationship between international financial organizations and international financials system. In the business world time is the only resource that when past will never return, any second represent money and with the advanced technology information is possible reach fast communication, saving time, competing at the same level with the competitors and giving effectively and efficiently service to the customers.

Information and communication have thus become key factors not just in our technological, but also in our economy, social and cultural development. Correspondingly large is the influence which the build of information systems which cover various countries and worldwide communications has gained over the development of the world economy and over the formation and decision processes of the bank's strategic international marketing (Meissner (1990), pp 24)

In fact, far the international banking industry the technological information contribute to the growth of world trade and the world economy, the speed of communication has become an essential factor, reason for financial systems and financial institutions to build up an efficient infrastructure of information system.

The following are some of basic and sophisticates advanced technological information systems developed in the international financial systems.

Customer's response

– **ATM** (Automatic teller machine)

Are machines in which dispense and/or accept cash when instructed to do so by the customer using a card and personal identification number. (Kenneth (1986)). Technology is making possible for banks to expand ATM marketing and ATM with more capabilities, including the ability to handle marketing to one programs. These ATMs, for instance, allow the institution to advertise competitive loan rates and become far more valuable to the marketing and distribution mix, dispense airlines tickets and stamps.

– **EFTPOS** (Electronics Fund Transfer at the point of sale)

Is the means by which transactions can be undertaken for the purchase and the sale of goods where the individual purchaser's and seller's bank accounts are adjusted at the point of sale in accordance with the cost of the transaction.

In the corporate sector and on an international stage

– **CHATPS** (Clearing house automated payment system)

– **CHIPS** (Clearing house inter-bank payment system)

The basic purpose of these clearing houses is serve as a place at which the clearing banks exchange their paper or check.

– **SWIFT** (Society for worldwide inter-bank financial telecommunication)

Non profit association. Is the most widely used system for performing funds transfers in the banking industry. Provide an international financial payment system with secure messaging services and interface software to financial organizations in 174 countries. Swift's

global network carried more than 800 million messages in 1997 of which two were payment messages (Internet. Swift)

The latest innovation is the Internet Banking which have being adopted by many financial institutions to market its products and services. All strategic marketing require planning and “Banks are increasing their technology budgets spent on Internet banking without enough attention from strategic planners”⁴⁾.

The availability of technology and specially the internet banking software, represent and important factor in the local and international competition of banking institutions and countries, nevertheless the acquisition of the technology should be done with a clear strategic plan.

Phil Lawrence, Director of e-commerce initiatives in Ernest & Young’s financial services Consulting Group, says that, despite the increased emphasis, the typical financial institution can not make a clear economic argument for offering Internet banking. Many lack the ability to measure improvements in customers retention, saving or revenue. Banks should hold off on spending until they develop a clear strategic goal.

In fact, technological information system is important and necessary for financial institution’s strategic marketing plan. In Addition, it require complement the acquisition of the technology with a competitive policy. Internet banking can provide essential information and good marketing, however should be took with a previous plan.

4) Ernest & Young’s survey released in September 29, 1998.

d. Bank Regulation

Regulations in banking industry are mainly controlled by the government of the country the banking institution is established.

The following are some of the problems the banking industry is facing.

- Government legislation
- Banks can only do business concerned with financial activities.
- Business banking limitations

All financial system has its own regulation system which control the financial institution's operation, and its structure is developed with special considerations in legal, political and social and cultural environment conditions.

For instance I will bring up a case of the Canadian Banking in which regulators impede them to merge.⁵⁾

In December 14, 1998, the Finance Minister of Canada, Paul Martin, put an end to the intention of Canadian banks to merge denying permission for planned mergers that would have reduced the number of Canadian banks from 5 to 3.

The impediment was ordered to:

- The Canadian Imperial Bank of Commerce (CIBC) which was planned to merge with Toronto Dominion Bank.

5) The Economist December 19th 1998

- Royal Bank of Canada which was planned to merge with Bank of Montreal (BMO) to become the biggest bank in Canada.

Mr. Martin argue that the merger would have concentrated economic power to much reduced domestic competition, and left the government with few options had one of the new megabanks failed. However, the banks have argued that consolidation would lead to more global opportunity and greater economies in scale, particularly in information technology and electronic services. Now, Mr. Martin says he intends to implement a reform that will combine greater competition with Canadian control. He wants to make sure there is a more competition before reconsidering the merger proposal.

The Canadian Minister of Finance ordered the temporal stop to the bank's merger plan while he is looking at how to create a rule to avoid the opportunity to possible concentration of economic power which might direct and control the country's financial system. The banks thus find themselves confronting the government restrictions in their effort to be internationally active in the global competition.

2 . Necessity for Innovative Financial Services

Financial environment has been affected by an uncontrollable and unpredictable development of the world economy. When environmental considerations are taken into account to approach the market place with innovative financial service or product, the bank must research and analyze the market, customers needs and reevaluated the market segmentation based on customer's demand.

Reacting to changes in the financial international environment, all organizations found the necessity to improve their strategic marketing plan

because global market narrow the opportunities of company development forcing then to struggle to impress the market with good and interesting service or product. The structure of the service or product by firms who are internationally active is influenced by a whole series of external factors that are considered the principal elements in the new strategic marketing plan. Is impossible to overlook these external factors because some of them as the globalization, international competition, information technology and international regulation are having great effect in the decision making of all firms in today's world economy

a. Market Research and Market Analysis

Before go into detail is important to define these concepts.

- Marketing Research

Is defined by the American Marketing Association as “the systematic gathering, recording and analyzing of data about problems relating to the marketing of goods and services”

- Market Analysis

Is a sub-division of marketing research which involves the measurement of the extent of a market and the determination of its characteristics. The activity consist essentially in the process of exploring and evaluating the marketing possibilities of the aggregates demand of the potential buyers of the commodity of service (Kelly (1965))

Marketing research is a process that should be done in organizations where the spirit of competition if present. The stage provide effective marketing development and success achieve. The research and analysis can give many possible solutions and guidance on how, what, whom, when and where

of marketing. Defined which sector of the market the bank is going to research and analysis, the second pace is make useful the valuable data. Some banks are finding that the payback of a heavy investing is database marketing is not a high as expected. Is important to clarify that marketing database must be used in active program of profitability analysis customer segmentation and marketing tactics.

BankAmerica, before roll out two innovative mortgage products and hopes to penetrate a growth market, their strategic goals was well established, the plan is to serve the low-income market and reach minorities and immigrants.⁶⁾

While others banks are twisting their arms to make loans, Stephenie Smith, BankAmerica Mortgage's National Manager for community lending, sees an untapped market which will drive profit growth in the cut throat industry. She cites, after analyzing the market data that, statistics showing that 72 percent of white households own homes, while 43 percent of blacks and 45 percent of Hispanics can say the same "the is a growth for us"

Collect general market data then proceed with the analysis of internal and external elements, analysis of the competitive environment and competitor development, identifying customers needs are processes that will helps to performance the new product. However the key for any successful database's marketing project is the collection of relevant and accurate data about consumers and construction of a complete marketing customer information file.

6) Financial Services Marketing, Supplement to the American Bankers, Vol.1, Issue 3

b. Customers

The most important factor and motivating force for the organization that also can be classified like its core, is the customer. If customer is not satisfied, he will find another supplier who can fill his financial needs, therefore the organization will lose the customer and with him the profit.

In the wave of financial merger, banks are not structuring correctly their strategic in promoting their products or series and are forgetting the special attention customer deserve. As we said before any bank can not survive if their customers are not satisfied with the bank's new policy and structure. In an index compiled for Strategic Finance, a corporate cousin of The Economist, Andersen Consulting has analyzed cost and revenues on a Customer by Customer basis at a selection of banks in The United States that serve both individuals and small businesses. It has found that since 1995 the small banks in the group have been operated more efficiently per customer than their much larger competitor.

According to the EIU Strategic Finance, smallest banks spent around 20% less on expenses, loan provisions and restructuring charges per customer served than large and super large. How banks are managing its portfolio and how they are developing the good and effective strategic marketing plan can let the bank to conserve and gain more customers, and of course higher profits. In the same proportion of the bank's size, is necessary to create a credible customer's database. These large and super large banks must, in their strategic marketing plan, develop an accurate system to determine, for instance:

- The profitability of the customer
- Development of schemes classifying customers into segments.

- Creation and implementation of tactics, based on customer segments, to modify behavior of employee and customers to increase sales and lower costs.

With all this information, banks can develop targeted marketing strategies and innovative services based on customer value. The procedure can be satisfying consumer's financial needs and at the same time improving the bank's profits.

c. Market Segmentation (based on customer's demand)

Market segmentation helps to refine the bank's target. Decided the market in which the bank would like to extend its business, a good decision-making in the selected area for promotion, product durability and styling should be considered as an important element for the development of the product or service.

In banking business, banks offer many types of products or services and have a very diversity portfolio however banks always concentrate its business in a particular sector. For instance: Citicorp has the only successful global brand in consumer banking with branches in 100 countries It is one of the world's leading credit card operators. How? Citicorp's technology is probably the best around this particular business and there are signs that its effectiveness in mining its customer database is improving significantly.⁷⁾

Market segmentation functions require to banks to, choose carefully the sectors they have to survey and collect the accurate data that will be its source information for the development of the product or service. Good

7) The Economist April 11th 1998

database consume time and represent an investment to the firm thus take all its advantage to increase the volume of business in the organization reward the investment.

Because Citicorp focus on consumer banking its database marketing might have it consumer's information classified in different range, such as life style, lifecycle. In this range, consumer's financial needs go according to their life development. Different periods of life request different needs, so the bank database can include the following information in the creation of the database.

- Customer's age
- University or higher education studies
- Work place
- Marital status
- Hobbies
- Living style and so on.

3 . Marketing Strategic Planning

Marketing Strategic Planning is the key for the success of products and services. What has to be achieved and how this will be done are questions that banks should answer before get to the market place with new products or services and promotions. This process is important in the essential in ensuring the marketing plan, is a support in the business strategy and objective.

Marketing planning involve a logical approach it should be see as a necessary and helpful device. The formal steps involved in producing a marketing plan include:

– **The bank's business objective**

The bank's objective and goals are based upon of what shareholders are expecting o the bank. This is the starting point to estimate the profit objective, return or assets, growth in assets and other dimensions. Also relate with the longer term strategic direction for the business and anticipate to move into a new market.

– **Internal and external factor**

Scan the internal and external resources is a systematic process to identify marketing and relates facts about the general business, environment, specific market environment, the competitive and internal environment.

– **SWOT Analysis**

Flows from the scan and attempts to identify strengths, weaknesses, opportunities and threats. With this analysis it is possible to determine marketing objective which will be supportive of the business objective in short and long term.

– **Determine marketing objective**

The targets of the services or products

– **Marketing Strategic**

Is the overall means by which the objective will be achieved.

In the marketing planning process is also necessary to establish plan for advertising product development, promotions, competitor response and the evaluation process.

Throughout this section the analysis of the marketing strategic planning will be based on the organization objective, the product's selection with

and strategic formulation and the final service or product development and monitoring.

a. Organization Objective

In banking business, the identification of the bank's strengths and weaknesses, its opportunities and threats, it will be possible to identify the bank's business objective, what need to be achieved in marketing, if the bank's overall aim and ambitions are to be achieved.

Continuing with the BankAmerica low-income mortgage program such an example. The bank established firmly to go deeply in this business because in bank's major markets in the south and west of the United States, the minority and immigrant populations are driving long term demand for financial services. Observers say the new products are key to serving those customers and winning their loyalty.

In the BankAmerica's market analysis, they found a strong business case for this program and Stephanie Smith, the mortgages national manager, says: nothing that the loans will be profitable under the banks parameters. The organization identify its strengths, develop a plan after a rigorous examination of the market, that become the organization objective in this sector.

Organization's objective has to response to important criteria: it is be achievable, measurable and consistent. The desire to reach out to new market with aggressive target for profitability is on, therefrom the follow step is monitoring the market and develop the new plan effectively and efficiently to success in accord to the organization's objective. BankAmerica launch two innovative mortgage product, the objective close the gap of lack of home mortgage programs and now the challenge is promote the strategic

marketing plan accurately to achieve the organizations goals and objective.

b. Product selection

The selection of products or services to marketing, strategically, need to be decided from the point of view of the consumer, that is to say, toward the consumer's basic needs. Financial service's intangibility make difficult and complex its selection and this process require a regular survey of the information related to the market development. Monitoring the atmosphere should be a marketing dynamic task; clients, competitors, financial environment, social and cultural environment and legislation are strategic pieces in the product's selection.

A deep understanding of the total market is necessary to effective products or service development. Research and analysis of large scale data help to identifying the size of the market and its growth pattern, who make up the market in social and economical terms, frequent use of the product and life cycle.

The purpose of this stage is to have a complete framework of what the size of the market and opportunity are likely to be. Coming back to the mortgage plan of BankAmerica. They launch the product that any bank can offer but the difference is how they direct the product, how they make it function better and attractive to the consumers.

A new study by the center on the outlook for housing needs show that the low-income buyers will play a vibrant role in the future of mortgage lending. The director of the Join Center for housing studies at Harward, Nicholas P. Retsinas, said that about 40 percent of network homebuyers in recent years have come from the low income and minority markets. He says that mortgages lenders are only now institutionalizing their belief in the

potential of the market, adding, “It becomes clearer and clearer just how important this market is”

The credibility of the product is also important, the process of product’s selection should include an evaluation for internal structure of the bank to carry out the product efficiently. Attract consumer is the objective and at the same time the strategic planning must be directed considering internal and external factors for a well develop of the product and service.

c. Strategic formulation

Before launch a new product or service to the market, many analysis must be done to organize correctly the future of the new product or service various objective. The basis of marketing strategic should be formulated taking in consideration the following:

- Life cycle of the service or product
- Profit maximization period
- Direction of the product or service
- Purpose of the product or service (diversification, enlarge its market, etc.)
- Establish an image for the firm
- Achievement of industry leadership
- Securing the firm in the market place.

All this objectives are the most difficult conceptual task for management. Marketing objectives vary according to different problems, situations and stages of development of the bank.

Formulate strategies in addition help identify, mistakes in the structure of the internal factor and in case of external factor significant fluctua-

tions in the environment. The variability force modifications in the decision-making to adjust the marketing strategic plan in the measure of the change behavior. This possibility means that the marketing strategic plan have to be flexible to possible changes.

Statements of objective must be specific in term of statistical goals, including return on investment, profit standard, volume and profit by markets.

In the strategic formulation, financial, time and operational goals give specific guidance and direction to administrative action in marketing.

d. Product or service development plan and monitoring

Product or service development is the generation of ideas for new product or service through to the testing and launching of new products in the market. It can initiate a completely new or old market, and also in an adapted market.

The need for a new product could be for many reasons and some of them are:

- Life cycle

All product and service have a life period, whether it has a natural end for the quality of product or whether because it needs to be modernize.

- Growth of market

The operation in a worthwhile and profitable market with sign of stability, it may be possible to identify the changes in the market, it make possible to look for new strategic to re-stimulate growth through successful product development.

- Loss of market share

Competition become intense and loss of market share may occur for many consequences. The firm cannot launch a product with a weak performance or if the competitor open an extraordinary and millionaire campaign difficult to control.

Banks over the last 15 years have lost considerable market share of saving principally of building societies. This has led to today's situation where banks have recently launched a number o new saving products and have vigorously entered the mortgage market.

A product's develop include a hard process before it is launched to the market. First of all, it need to identify the market and sector where the product will be located, this market need a deep recognition of the total market to an effective product development, direct the product to the right consumer. Finally, monitoring is another and necessary tool to ensure a success achieved. Even if all stage in the elaboration to the new service or product are done perfectly, monitoring the market to measure its movement is a procedure that should be consider toward the objective. The aggressive competition and modernization of policies in the financial system, among others, force banking institutions to keep monitoring the market continuously.

The monitoring task is no limited to study the evolution of the service or product in the market place, is also to examine how the new product is accepted by the consumers and the behavior of the competence.

4 . Bank Marketing Strategic

Banking institutions require and appropriate strategic marketing plan for its products, managers who can give a true orientation of marketing in the firm have more possibilities to overcome the competitor than others who do not consider this task. Further, banks should establish method to evaluate the fluctuation of the market to know where, how and when they have to move to maintain the level of competition. In the global financial market bank marketing is the way to response aggressively to keep and increase its place in the market place.

a. Scanning the market place

Is amazing the quantity of new projects, products, services and promotion that banks are offering. Variety of ingenious plans but not all of them are achieving its planned goal because the key is create, develop and promote the product with the building of accurate and objective strategic marketing. If a bank is to be customer-focused, it must transform its marketing function into a strategic process designed to acquire, and maintain customer relationship, and develop marketing capabilities that are strategic in scope.

Scanning the market place managers can view the position of its products and how its competitors are diversifying its portfolio forced by the merge of international financial firms and by the market globalization. For instance:

- Merrill Lynch and Morgan Stanley combine investment banking with mass-market business.
- Europeans banks, Deutsche Bank and Credit Suisse add corporate lending, insurance and retail banking.

Geographical diversification should offer some protection particularly form the frequent fluctuation in the mature American market.⁸⁾

Any decision for strategic marketing plan can not be consider before this stage.

b. Marketing Strategic

Effective marketing depends on the skill, technical competence and vision of the planning group and on the efficiency of organizational efforts in achieving the established goals. Strategic marketing aims to build and maintain the relationship over the customer's lifecycle. The planning of marketing offers customers products and services adaptable to changing needs.

Bringing up the case of the BankAmerica new mortgage products: Directors of the institution believe the new product promise to achieve its goal. The banks launch the product after a well structure project because they believe the mortgage is the cornerstone of the relationship. In the marketing strategic is also considered the cross-sell of products related with the plan.

“The research which created the two mortgage programs also gave strong indications of how to market them more effectively. The bank introduces educational materials in several languages, including Spanish and Vietnamese: heavily promoted the program in the ethic media; and prompted the company to test direct-to-consumer marketing in Los Angeles for the first time”⁹⁾.

8) The Economist June 20th 1998

9) Financial Services Marketing, Supplement to American Banker, Vol. 1. Issue 3.

The case of National Penn Bank of Pennsylvania, obviously, the marketing strategic planning “picking off customer from the competence” was created with some requirements that customers must complete through certain time. At the same time the bank will try to retain them with benefits. For instance, one of the checking account “Bonus Checking Account” holders get free traveler’s checks, six months of free telephone bill payment and PC banking and so on. The marketing director of this bank, Harvey Corbett, said: “Our objective is to acquire new customers from our competitors. So far it seem to be working”

As these banks are doing, others are starting with another new strategic. BankAmerica and National Penn Bank are having two common objectives. First, get the customers taking advantage of the market’s deficiency and second proceed to the cross sell with related products and services. In short, one product with many patches, the experiment many banks are doing; require more effort? The answer is yes, because professional responsible must be well prepared with enough knowledge in order to market the product appropriated.

c. Distribution System

Banks may use different channels, it different product or services, at different sector of the economy, to distribute its products. The coordination and selection for the most satisfactory channel distribution for a product is complex. Each situation has to be examined individually, and the decision must be taking on the basis of the quality of each product or service, to whom it is directed and to whom the bank has to send it.

In banking industry, the common procedure to distribute its products or services is through branches, ATMs and lately through the sophisticate

Internet, system that is changing the traditional distribution channels which was the extension of bank branches throughout different sector of the market place. The technology is affecting the conventional way of channel distribution and banks are replacing branches, competitive and aggressive human resources by red of ATMs. The drawback is banks are not in direct contact with the customers and face to face contact with them could have better result for cross sell. Personalized service from bank's executive officers make the relationship loyalty reducing the possibility to be attracted easily by competitors.

BankAmerica, to distribute the new mortgage plan, they hired two dozen bilingual loan officers, opened an office in heavily Hispanic East Los Angeles and staffed regional centers with at least 40 bilingual customer service representative. The program's objective are Hispanic and immigrants community therefore the executive officers need to have a good knowledge about the native language of the target group. Make it easier to consumer satisfy the feeling and sometimes the excellent attention customers receive engage them to use the bank's products and services.

The financial competition seems to become harder for the coming decade and the contemplation of a whole set of channel distribution system must give better results for the marketing.

d. Product Promotion

The main objective of bank's promotion is build a good image and reputation, be distinguished from its competitors, stimulate interest and provide knowledge and attract customers. To reach this objective, bankers will develop strategies, promotional tactics that can be carry out through advertising, sales promotion, public relationship and personalize sales.

Direct marketing promotion is achievable if it is addressed in the right direction. The technology allows the building of consumer's detailed database information that can facilitate the identification of possible and potential customers. Is a guide to aim directly the objective.

Banks have different ways to arrive to customers and the competitions are making them create ingenious promotions programs whether by television advertising, adopting bank marketing software with special advertising programs, call centers, leaflets/handouts, among others.

Big banks are investing in technology while small banks are advancing with popular tools, such as the phone. For instance, the American, Boone Country National Bank, start to improve its services through call-center, a strategic program in which the phone is the media. Mainly the community bank call-center employs a handful of agents. They have access to customer's account information and answer routine inquiries, confirming account balances or determining whether a check has cleared. More advanced agents would evaluate the customer's account and suggest changes, such as refinancing a mortgage or opening an interest-gearing checking account. The objective of the program is to turn call-center agents into sales people to offset technology cost and salaries.¹⁰⁾

The principal objective of Boone Country National Bank in its strategic promotion is sale products and services using a practical, traditional and less expensive channel distribution, hardly to find in this time.

Whichever is the channel distribution the bank select, the most important element of the promotional activity is the face to face selling by staff.

10) American Banker, August 31, 1998

5 . Over Increasing Strategic for Banking Markets

Globalization technology, competition, bank's regulation and consumer expectation are forcing the collapse of institutional barriers. Barriers are falling within the banking industry and also between existing players and those wishing to enter the financial services market. In the last decade, we have seen important new competitors arrive on the market such as the merged banks "Citigroup and the United Bank of Switzerland" and there are others waiting to enter. All these factors are making banking institution to increase the planning on strategic marketing.

With all the changes taking place and barriers falling it is easy to see how business and financial institutions are competing vigorously. On the one hand big and super big banking institutions are providing a full range of financial services to both the largest and smallest customers alike with a capability that is probably worldwide. In the other hand, small banks will concentrate their attack on clearly defined segments of the market with limited but specific product range. The advantage of this groups of bank over big and super big banks is the personalize attention to the customers on the bank's services sale. Big and super big banks may cover more space in the market place but in small banks, customers might feel more satisfy and comfortable with the bank personalize service.

The merge concentrate markets and powerful institutions encourage smaller ones to create ingenious and strategic marketing plan to survive and compete in the market place. Starting from modernization in organization's structure then analysis to external factors of the environment that involve great effect in the planning.

This changing and exciting time motivate financial institution to

elaborated marketing structure more professionally with careful analysis on consumers in both the personal and commercial sector.

CONCLUSION

In every market there are sign of distress: companies are cutting operations, deregulation in opening markets, foreign competitors are appearing, more merger of financial institutions, evolutions of new products and services and sophisticate information technology.

This decade has seen a remarkable increase in the openness to trade and investment flows of country after country. For many reason,

- World Trade Organization
- Rapid word-shrinking spread of new information technology
- Extension to foreign business
- Foreign investors
- Foreign cultural have penetrated into most countries' domestic live (especially American)

Some countries have tried to slow this penetration down but few have resisted it altogether. The combination of unstoppable technological change with the apparently central planning has made globalization appear inevitable. The effort to reserve this movement has already begun and no one can be sure about the future course of the world economy.

The global economy today is completely different from just five years ago, banks have been going out further and further on the risk spectrum, especially the big banks. Merge, acquiring more shares building strategic marketing planning are sign that banks are looking for bigger markets and

returns, since they are not getting it through lending. The danger is that the expansion is to the point where big banks are engaged in risk warfare.

Finally, banking institution discover that strategic marketing is the best response in the achieving of its objective.

“Times are changing rapidly in the financial services market place and the traditional ways of doing things have to be modernize. The consumer is retaking vitally important again and the search for new methods and products to meet his needs is high on the dynamic environment and the pursuit of differentiation and creativity a mayor issue.

The challenge is clearly set and the banking and financial institutions in the financial service industry are responding with enthusiasm and commitment. Even in the coming time likely to have many turbulent, they will also be exciting and rewarding ones for those who get their marketing structures and programs well organized.

References

Andrew, Kenneth. *The Bank Marketing: Handbook*. Woodhead-Faulkner Limited. Cambridge, England. 1986

Cateora, Philip R., *International Marketing*. Sixth edition (Richard D. Irwin, Inc. Homewood, Illinois, Toppa Company, Ltd. Tokyo, Japan. 1987.

Diamond, Jay and Gerald Pintel. *Principles of Marketing*. Fourth edition, Prentice Hall, Inc., Englewood Cliffs, New Jersey.

Kelley, Eugene J., *Marketing: Strategic and Functions*. Prentice Hall, Inc., Englewood Cliffs, New Jersey. 1965.

Lovelock, Christopher H., *Services Marketing. International Institute for Management Development (IMD)*. Second edition, Prentice Hall, Inc., Englewood Cliffs, New Jersey 1985.

Meissner, Hans Gunther. *Strategic International Marketing*. Springer-Verlag, Berlin, Heidelberg. 1990.

Mishkin, F., *The Economics of Money, Banking and Financial Markets*, Fifth edition, Academic Wesley. 1995.

Seglin, Jeffrey L. *Marketing Financial Advisory Services: A hands on guide*. Prentice Hall, Inc., Englewood Cliffs, New Jersey.

The Economist
American Bankers