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# The Relationship Marketing Era for the Romanian Banking Institutions: Could It Bring Something Different

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Victor Danciu

*This paper is aiming to suggest some opportunities the marketing could offer for the improvement of the performances of the banking institutions. Our research points out that the banks should practice relationship marketing rather than transaction marketing. With that end in view we have worked out and implemented a model which shows the particularities of the operations in every stage of the lifecycle of the relationship between the bank and the customer. By means of this theoretical model we have identified the current situation of the relationship between the local banks and their customers. At the same time we have suggested some ways for the improvement of this relationship within the framework created by the objectives of attraction and maintaining of the banking customers.*

*Key words: relationship banking marketing, relationship development, bank/customer relationship life cycle, customer satisfaction and loyalty, 4 C banking marketing mix.*

*JEL Classification: G21, M31*

## 1. Introduction

The way banking institutions understand and succeed to refer the products and services to the customers are conditions for the importance they play in the economy. The marketing could offer new solutions, if the banks shift the focus of their orientation and activities

from transaction marketing toward the banking relationship marketing. The relationship marketing tries to establish an “intimacy” that is individualized links with customers, via strong personal appeal and continuing commitment [Lee and Carter, 2005, p. 421]. For loyalty and relationship to flourish there should be trust, commitment and communication between the interested parties. The relationship marketing offers new opportunities for banks, since it is loyalty marketing, within the framework of a partnership. This means that this kind of marketing aims to create, maintain and improve the customer long-term loyalty [Gordon I, 1998]. Such a goal means that a bank should find a balance between the customer satisfaction and the profit of the bank.

The change of focus toward customer satisfaction and loyalty is especially needed, as the banking system in Romania is still too “industrialized” and “standardized”. At the same time, the customers of Romanian banks ask for more customized services and expect greater attention [Ținteanu Moldoveanu G., Capital, 13 decembrie, 2007].

These issues and other it could appear should be strong motivations for the local banks to give relationship marketing a greater importance, in order to better capitalize the Romanian banking potential.

## **2. The banking marketing, a dynamic concept**

The process of marketing learning and practice asks for resources, time and some steps crossing. These steps the banks should go over in order to master the marketing concepts and methods are forming the process that is developing according to “the law of slow learning”, as Ph. Kotler (1973) suggests. In other words, an effort and a long-term perseverance’s are needed for a bank, and they ask for time and resources.

Philip Kotler and other authors have identified five stages the banking institutions should experience in order to accomplish the most auda-

cious goals by using marketing. [Danciu D., Danciu V., 1996 ; Berry, Donnelly, 1984 ; Kotler, Ph., 1973].

In the first stage, *marketing means advertising and sales promotion*. This stage is characteristic for the immediate period after the Second World War and indicates the beginning of banking marketing. The marketing was not yet present in the conservatives banking community at the beginning of the fifth decade of the 20<sup>th</sup> century. The banks operated on the so called “the seller market”. The banking customers asked for basic banking services, and the banks weren’t forced to make market studies. The banking institutions were created so that they inspire safety. Their interiors were imposing by austerity and the people at the pay desk rarely smiled. At the end of the fifth decade, many banks were beginning to use the advertising and sales promotion, as the competition for saving accounts wear growing stronger. In order to maintain existing customers and attracting new ones, the other banks soon have acted in the same way.

The second stage shows *the marketing as customization and a friendly ambience*. The competition in the banking market became more and more stronger, due to the constant efforts for acquiring customers by means of advertising and sales promotion techniques. The banks have learned that to persuade people to come at their units is easy but is very difficult to maintain customers. All these have convinced the banks to try adding a new dimension to the existing marketing that is to please the customer. The banking personnel began to be friendly, smiled to the customers, and the desk lattices were taken out. The banks interior and exterior were redecorating so they could create a friendly ambience. At the same time, the friendly ambience inevitably became a characteristic the customers expected and common for the banks, and it represented no more an advantage and was no more a motive for customers to select a bank.

In the third stage, the *marketing means innovation*. At one time, the efforts of the banks were focused on the creation of the ambience were

enough no more. The banks became very similar, and this created difficulties in their relationship with the customer. Some of them have understood and recognize the need for finding ways to become differentiated from competition. In the first part of the 1960 years of the 20<sup>th</sup> century, many banks have launched new banking products such as credit cards, overdraft credit lines and developed other marketing instruments.

*The marketing is positioning* describes the characteristic of the fourth stage of the banking marketing. The banking products and services were more and more widespread and, a new competitive advantage was needed at the beginning of the 1970 years. The banks began to address only to some specific market segments, formed up from customers having particular needs and expectations, instead of offering everything for all. Some banks settled the prices, developed the products and advertising aiming especially the market segment build up from individuals having high income. Other banks have targeted the segments formed of individuals having between 18 and 25 years of age, while some have aimed to attract aged people. In this way the banks have searched and occupied specific positions in the market, their efforts targeting the occupation of a particular place in the customer mind. This phenomenon is called positioning by the creators of the concept [Ries and Trout, 2004].

In the fifth stage, the marketing is *analyze, planning and control*. During the former stages, the actions of banking marketing had a more reactive character, since they have started following certain situations that have emerged in the market. Even the long term philosophy becomes the concern of many banks, it but wasn't often enough supported, due to lack of detail into a coherent plan having precise objectives and activities, which was the result of complex analysis and bank resources. Philip Kotler offers the case of a commercial bank, which credit officers proposed an increase of 10 % of the results of the previous year, as a rule. The objective wasn't accompanied by a plan, and the bank management was very pleased when the proposed number was

reached. Things were going this way until a young employee has succeeded to obtain a 50 % rise at the end of a year. Acting in such a manner, for the bank ignored the potential of various market segments, marketing plans weren't requested, market shares weren't requested and proper motivating system for employees weren't developed, it has learned a painful lesson.

The period a comprehensive document as the plan could be included in the bank efforts, has entailed the passing *to the banking strategic marketing*. The banking institutions were forced not only to think for longer periods of time, but to improve the way they design the market activities due to the stronger competition, environmental incertitude and risks, and higher exigencies in all the sectors. Thus, the banks are reaching *the sixth stage in which the marketing has a part to play in the entire banking organization*, and this part has a strategic significance. The customer becomes an asset of the bank, and it establishes mutual favorable relationships. The banking marketing is transforming in relationship marketing.

The process of the evolution of the banking marketing presented above is developed taking into consideration the experience of the banking institutions in developed countries. This process is yet valid for any market type. At the same time, even in the developed countries, there are some differences from country to country regarding the stage the majority of the banks are in. Many commercial banks in developed countries are in the last three stages, but some of them haven't over passed the previous stages yet. The subsidiaries of foreign banks, which are present in Romania, are in the same stage as the parent/banks. Some big banks, which had buy Romanian banks, are especially in the position of universal banks on the retail market. Other smaller banks, particularly the foreign ones, are positioned in order to attract the co nationals involved in business in Romania. Last but not least, there are banks having a high reputation which like better the organizational customers,

The marketing the big banks are practicing is rather innovative, but has the relationship component that leaves much to be desired, particularly in the relation with ordinary individual customers. These banks stake yet on the fact that the customers alternatives are limited. They should focus better and more urgently on the customers, even if they offer them much more diversified products. Since the customers should become loyal, the banking marketing targeting market niches has a better relationship character.

### **3. New opportunities for relationship development**

As relationship marketing, the banking marketing acknowledges the customer satisfaction throughout creating and delivering value under the form of banking services as the main goal of any banking institution. A bank really oriented towards customer is the one, which believes that the financial objectives could be best achieved by the recognition and satisfaction of the customer's needs and expectations throughout the entire life cycle of the relationship.

The loyalty gained through a higher customer satisfaction should be tracked down within the framework of the relationship development. One may identify several stages of the relationship development. As Evens, O'Malley and Patterson [2004, p. 262] suggested the relationship development could be incorporated in a six-stage model:

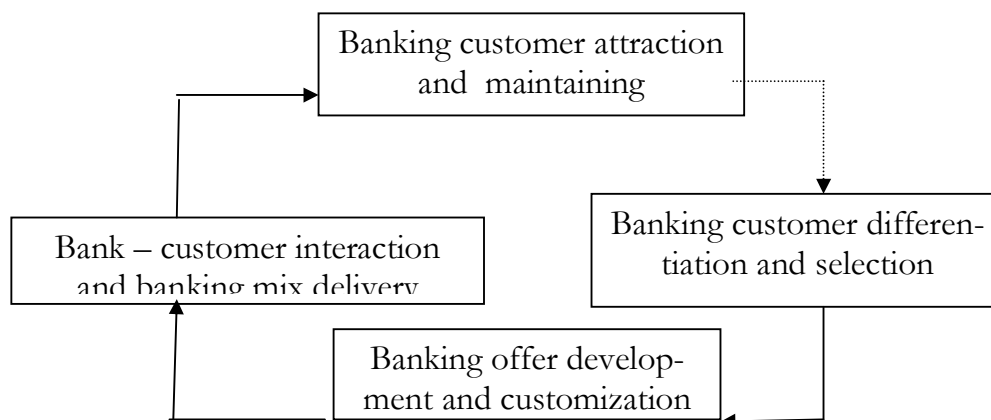
Attraction - Interaction – Progression - Deterioration – Cessation – Reclamation

Attraction is a pre-relationship phase and it represents the point of which one or other party finds another attractive in some way. It is the extend to which a the potentially relational partners perceive past, present and future or potential partners as appealing in terms of their ability to provide superior economic benefits, access to important resources and social compatibility or superior economic benefits, access

to important resources and social benefits can be delivered that generates enhanced levels of trust and commitment. The both parts buyer and seller interact this facilitating the development of the relationship. Interaction is a fundamental behavioral aspect of the relationship [Evens, O'Malley, Patterson, 2004, p. 267]. If the bank and the customer have a successful interaction the relationship between them can be seen as collaboration or partnership providing benefits for both sides (progression of the relationship). Sooner or later situation where commitment and loyalty fade may occur. The bank must recognize the triggers that initiate deterioration in order to find the proper solution. Fundamentally there are two possible outcomes from deterioration that is the relationship is maintained or the relationship is ended.

All these stages may be seen within a life cycle of the relationship between the bank and the customer throughout the highest advantages both partners could obtain. In every stage of this life cycle, the bank's objective goes toward an other kind of relationship, from the customer selection toward his attraction and maintaining, as the figure 1 shows.

Figure 1. **The life cycle of the relationship between bank and customer**



**Source:** Author's adaptation, according to Chirca (2006, p. 157)

*Banking customer differentiation and selection* is the stage of the life cycle when the bank should work out two issues. The first issue have in

view to understand customers values, which kind of banking services is important to them, what services they want to buy, how and how much they are inclined to interact with various partners, banks included. The second issue aims to establish the elements, which differentiate the customers as potential buyers and users of banking products and services. The two issues could be properly solved if the bank works out the following points:

- It settles the customer profile, in order to understand the buying behavior models.
- It segments the market and defines the most promising groups for the bank.
- The customers are evaluated in order to identify and understand the profitability and value throughout their entire life cycle and long-term potential.

*The development and customization of the bank's offer* seems to be a necessity for the capitalization of the whole customer potential, throughout the life cycle of the bank – customer relationship.

The focus on the customer and the interactive relationship between bank and customer request that the bank offer and the customer's access to it to be in accordance to the customer exigencies and expectations, which is part of the entire process of its product development and marketing.

*Bank – customer interaction and banking product delivery.* The interactions are possible not only during the communication and distribution but even logistic, customer services and on-line relationship.

*Banking customer attraction and maintaining* is the ground on which the relationship with the customer is developed. During this stage, the bank should aim the attraction and maintaining three categories of customers: the customers which have already buy a bank's product or service, the customers of rival banks and relative no customers which don't buy no banking product from no banking institution yet.



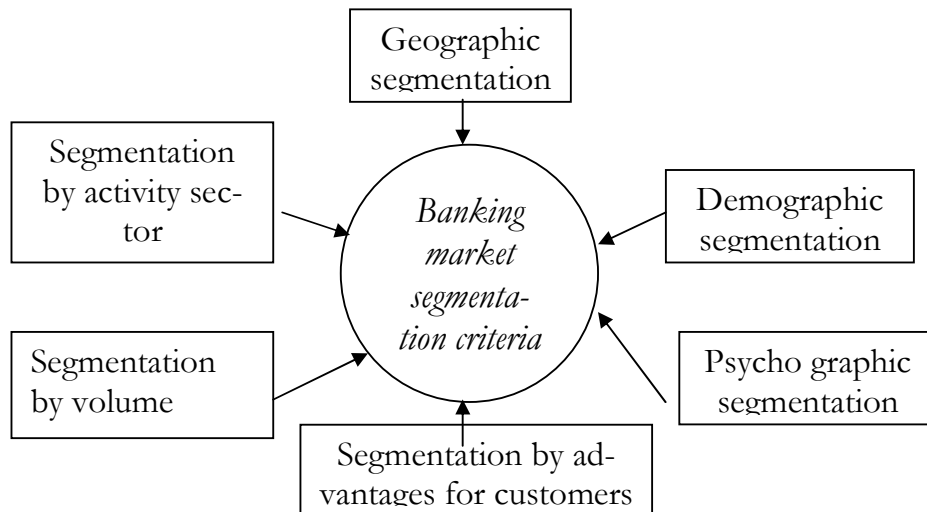
#### **4. The current situation of the relationship between banks and Romanian banking customers**

##### **4.1. Banking customer differentiation and selection**

In order to select the potential buyers of banking offer, market segmentation is needed. Since market segmentation depends on the focus on the customer, it is the area where the bank is nearest to the marketing requirements. The lack of homogeneity of those who buy the same banking product such as current account or loan has as result different reactions to the same marketing mix.

The bank could divide the banking market using some segmentation basis which is defined as sets of variables or characteristics used to assign potential customers to homogenous groups [Wedel, Kamacura, 2000, p. 7]. A bank could divide the market in a multi-criteria way. This means that a bank could use time some particular criteria each, in order to separate the customers groups. The figure 2 represents a synthesis of the most important criteria used for obtaining the typology of banking market segments.

Figure 2. The typology of banking market segmentation



Source: Elaborated by the author

In the practice of banking, the market is segmented using some combinations between the most important criteria, such as the advantages customers' aspect, the socio-economic and psycho graphic characteristics as the information within the table 1 shows.

Table 1. The multiple segmentation of the banking market

	<i>Seg-ments</i>	<i>LU</i>	<i>Loan seekers</i>	<i>Value seekers</i>	<i>One stop seekers</i>
Criteria					
The main expected advantages		Big, universal bank Good advertising	Good reputation Loan easy to obtain Loans with low	High interest rate for deposits Prompt services Loan with low interest rate	Large variety of services Convenient hours Prompt services Electronic

		interest rate		methods are appreciated
Socio-economic criteria	Young Live in rented houses	Most without academic education High mobility	Try to save more	Older
Psychographic criteria	High ability for money administration	Liberal attitude toward loans Appreciate banking loans	Conservative life style Conservative towards loans Low availability for risk taking	Conservative toward loans In favor of utilization of personal accounts

**Source:** According to M.A. Pezzullo (1988)

The Romanian banking market is still an emergent market, but having a great development potential. The emergent characteristics are a result of the way banks see the relationship with their customers. The Romanian banks are referring to the relatively large segments by contrast to the banks in mature markets, which are differentiating their offer, by customizing it for particular groups and work for costs reduction. Even more and more Romanian banks are more accurate segmenting the market; their segmentation strategy is still vague in many respects. The segmentation by age (young, retired) and those by volume of banking acquisition (premium customers) remain the best out-lined. For the rest of customers, almost the same banking advantages are offers for loans, deposits and personal accounts. This is an appropriate approach for a market in a consolidation process and it is different from the segmentation strategy used in mature markets. In

the last markets, the segments of customers are obtained by means of criteria like age, deposits, money circulation, and buying behavior of the customers banking products and services.

In the context of current crisis the banking market, a more accurate segmentation becomes a “must”. Such a line of action permits the banks to identify more outlined target-segments, which could be added to the already formed segments [A. Tămășan, 11 decembrie 2007, p. 34].

#### **4.2. Banking offer development and customization**

The retail banks, which dominate the Romanian banking market, are using classic marketing mixes. The main variable of the mix of any retail Romanian bank is the banking product. This product is revolving round a “hard core” representing basic services as payments, loans, deposits, card and short-term financing. The core is completed by relatively few services; even they have an increased contribution to the growing complexity of the banking product. Such a product having limited means for differentiation and customization is characteristic to the mass transactional marketing. Few banks are niche players, which are focused on specialized products. The most important contribution to the values the banks handle has the loans and the deposits. The loans for individuals had a 44,2 billions euros value, 77 % of them being consumption loans, a value bigger than 33,8 billions euros, the value of deposits at the end of 2007 year [Raportul Băncii Naționale a României, 2007]. The crisis effects are found in the change of trend in the benefit of deposits also. The banks are struggling for speeding up the attraction of the population savings, which are considered a source of funds needed for potential loans. The increasing importance of the deposits is shown in a quick rising of interest rates of this kind of banking product. At the beginning of 2009 year, the interest rates for the deposits of made by individuals in lei, at three months term, were between 6,5 % and 15,5 %; while the interest rates for the deposits in

euros were between 3 % and 7,5 % [Business Standard, 9 martie, 2009, p. 16].

### **4.3. Banking – customer interaction and banking product delivery**

The promotion strategy of Romanian banks is focused mainly on mass media, and particularly on television. About tree quarters of banking promotions are found in the audio video communication channel. This channel is characteristic of the mass marketing and Internet and banking consultants supplement it. The last two communication channels are able only to cover smaller customer groups. The interactive contact of on line customers is still law, being limited by the Internet access and the value of acquisition. The poorest customers have access troubles to the two communication channels. Only the customers having income above average have the benefit of more one-to-one approach.

The distribution network is permanently expanding, due to the common strategy of all banks for increasing the branch number. The branches are the main banking distribution channels. At the end of 2007 year, the total branch number was 5481 and ATMS number was 7800 units. CEC Bank had the largest number of branches of 26 units for 10.000 inhabitants, a situation better than in Hungary or Slovakia. BRD had over 800 branches, BCR had 562 branches and Raiffeisen has 433 units. The traditional distribution channels are completed with other channel types such as self-Bank, franchising, on-banking, e banking. The big banks like BCR, BRD, Raiffeisen, Unicredit Ţiriac but even some smaller have their own leasing, assurance, asset management companies, in this way aiming to obtain the group synergy. The Internet and phone/banking are developing, but they are still behind the traditional channels. The Internet banking services were access only by 7 % of Romanians in 2007, while the Finish were in the

first place because 84 % of them were using e-banking, for accessing banking services [7 Plus, 11 februarie 2008, p. 8].

### **5. The future of relationship between banks and Romanian customers: The customers attraction and maintaining of the aiming**

The banking marketing is a relationship one by its nature. Thus, the Romanian banks should more rapidly change their marketing mix from a classic one toward the banking customer mix. The customer mix is the one of 4 C. Every variable of 4 C mix has to fulfill an essential need of the customer. In other words, the successfully banking marketing mix should be the one which delivers high value to the customers depending in their requirements (Customer), with fairly good costs (Cost), in a suitable manner (Convenience) and at the same time having on effective communication (Communication).

The banking product policy is more focused on the customer requirements and on the increased value of the product and satisfaction of the customer. Any banking product is included in the larger category of services and has dominant properties, which need experimentation and trust. The loans, deposits, accounts and other services like payments, banking transfers, cards with a more frequent access and utilization need the customer experimentation, since their attributes and qualities could not be estimate before buying and utilization. Many banking customers should swear by the bank experience, image, seriousness and promises keeping. That's way the banking customers pay more and more attention to the variable interest, the fluctuation of the exchange rate of the currency, the consulting quality, the bank transparency and other issues, which could create, maintain and strengthen their trust in a bank and particularly in crisis circumstances.

The dissonance – assigning model seems appropriate for the description of the banking customer reaction. This model has as a variable the dissonance, which is the gap between the promises included in the alternative the customer choose before buying and how much of them

are confirmed after the acquisition. The banking customer is reacting after the acquisition of the banking product, as he experiences and learns. For that reasons, the quality, the delivered advantages and the degree of satisfaction are evaluated after utilization of the banking product and are influencing the future buying behavior of the customer, which has an increased importance for the banks decisions to come.

The banks acting in the Romanian market should more have in mind these issues for their next marketing strategies and policies. The future portfolio strategy should have three basic pillars that are quality improving, offer diversification and innovation. The main common idea of the three strategic alternatives should be the increasing of number of products each banking customer is acquiring. The Romanian banks should focus first on the range of services extension, due to the relatively poor offer. Then, they should add new products such as bank assurance, banking products for the family protection and rent for education as long/term products. The increasing of number of banking products Romanian customers buy is other important strategic direction. The strengthening competition and the reduction of profit margins are strong motives for such an approach. A Romanian citizen buys a three banking products as an average, while a French customer buy eight banking products.

The convenience for customers, as an element of the 4 C banking marketing mix should be improved, too. The distribution channel should be multiplied by paying attention and strengthen the importance of e-banking, m-banking, phone banking. Some incentive like lower tariffs for customers, which chose the Internet as a distribution channel, should be used.

## 6. Conclusions

In order to amplify and strengthen the relationship between Romanian customers and local banks, and diversify the motivations for the decision of buying banking products, a focus on the increasing loyalty of customers is needed. Nowadays, the buying decision has the price as ultimate variable in product and bank choosing. Some 54 % of the Romanian individuals buying banking products are customers of many banks, while 60 % of the customers are loyal to a single bank in France [Toma A., Biz, nr. 137, p. 49].

We believe that attraction and especially maintaining of the customers depend on the new philosophy concerning the higher satisfaction of the banking customer. This new philosophy has as main support the improvement of the relationship between the bank and the customer within the relationship life cycle. We have analyzed the relationship development in two stages. Firstly, we have pointed out the characteristic and the current situation of the relationship banks have with their customers. Secondly, we have suggested some improvement means.

The banking institutions should become innovative, better positioned and proactive in the manner of their acting according to the strategic plans they should develop and perform as conditions for reaching such a goal. Having a more appropriate approach, the banks could increase the value of their offer and the satisfaction of the customers which are more informed, demanding and difficult to become loyal. The banks should develop a more interactive relationship with these “new customers” in order to succeed in their efforts to attract and maintain them.

The customers should become an asset of the bank which value depends on their satisfaction throughout value creation and delivering under the form of banking services. In this way, both partners could obtain high advantages throughout the entire life cycle of the mutual relationship. The banking customer should be understood, differentiated and selected and a customized offer for him under the form of a



specific customer marketing mix should be developed. Such an approach offers the bank institutions a big opportunity for using the marketing as an important tool for their market goals achieving by increasing customer satisfaction and delivered value.

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**Victor DANCIU**, Professor Ph.D., Department of International Business and Economics, Bucharest Academy of Economic Studies. His research interests include international marketing, strategic marketing, international business and management, international competition, green marketing and brands. The most recent works include:

- *Marketing internațional. Provocări și tendințe la începutul mileniului trei*, ediția a IIa, Editura Economică, București 2009;
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