

FINANCIAL MARKETING CHALLENGES FOR THE ROMANIAN MARKET

Oana PREDA

Romanian American University from Bucharest

Abstract

The reason I choose to analyze this issue is the fact that the proper functioning of the market economy is based on a solid and profitable banking financial system.

The experience of the last 20 years in corroboration with the global financial crisis shows that banks in our country must face the challenges coming from both the international market and especially the national market. In this context, it becomes increasingly clear that to obtain a good market positioning (which will automatically lead to increased turnover and hence profitability) is needed in more than one marketing innovative, appropriate to market conditions. Traditional marketing seems to be overtaken by technological development, which is why we need a revival of the marketing system. The contribution of marketing department is vital to the success of the bank

Key words: banking system, financial marketing

1. INTRODUCTION

Banking marketing represents the research, knowledge and satisfaction of the clients, their orientation towards the needs of the institution's activity being found both in the advertising and publicity, as well as the banking and financial innovation, the distribution of banking products and services, the offer supply itself, a proper need of the market and offer a price advantage for both the bank and the customer.

According to Barry Hayne, "banking marketing lead management processes to meet the financial needs of customers in a profitable manner for the bank".[Haynes B.P (2008)]

It distinguishes itself through the unique relationship that exists between the customer and the bank: if in most areas, the obligations are usually in one way: supplier-buyer in banking and financial services sector, both customers and bank-related mutual obligations incumbent their use.

Financial-banking marketing includes actions taken by banks to meet the needs and demands of its customers. It represents an offshoot of general marketing because, although the goals are the same the methods of approach are different: food marketing and banking products are inconceivable in the same way as consumer behaviour towards these products is different. Although it is often seen as a component of marketing services, marketing banking is often seen as a "hybrid", category, which borrows elements from both marketing services, due to the particular characteristics that differentiate services

from financial-banking products, and marketing of goods, through the private specific appropriate product- money.[Zollinger M. (1985)]

The specificity of marketing banking in relation to the marketing of services is the lack of perfect coincidence between these two forms of marketing, drawing attention to the diversity that characterizes marketing services. There should be considered three key issues, namely:

- *Marketing concept*, common to goods and services, whose cornerstone is the market orientation and performance of all company shares a set of specific activities. [Florescu C.(1997)]

- *Financial and banking activities* that the content and features are part of the broader scope of services being grouped into a distinct sector of the national economy, namely the tertiary. [Balaure V. (coord.) (2000)]

- *Banking and financial services*, which involve a number of features that differ fundamentally from other types of services.

The implementation of the marketing concept in the banking financial institutions, requires consideration of the following items.[Odobescu E. (2003)]:

- *Satisfying customers desires*. It is central to the concept of marketing, without the bank's financial objectives could not be fulfilled.

- *Profitability*. Customer satisfaction can not be achieved at any costs; there must be a balance between the degree of fulfillment of her clients and gain realized from the effort.

- *Retention of employees*. All employees should understand the importance of marketing and work in the spirit of the marketing concept. This can be done by meeting the needs of employees; they must be aware of the importance of cost control and revenue maximization.

- *Social responsibility*. The bank must be aware of, and sensitive to the community and the environment in which it works. Banking institution has an extremely important role in society and, therefore, should have a responsible behavior.

Over time, the structure of bank financial operations has changed considerably, and the attitude of the banks in terms of marketing has evolved slowly but surely and has passed five phases.[Ionescu L. (2002)]

- a. *Marketing means advertising, sales promotion and advertising*. Marketing has penetrated into the bank in the form of advertising as advertising and promotion as attracting savings from households become competitive

- b. *Marketing means smile and open atmosphere*. The banks understand gradually that is easy to get people to turn to the bank, but it is difficult to determine the customers to be loyal. Financial marketing in the banking area aims to create relationships with the mobilization and use of financial resources in the economy. Some of these relationships find their reflection in the State budget and extra-budgetary funds in certain government public finances, and forming other unfolds through some economic agents specializing in commercial, financial and banking services. Thus, banks have started to fit out offices with warm and friendly, but over time this has ceased to be the deciding factor for customers

- c. *Marketing is segmentation and enrich*. Banks have discovered the need for careful segmentation and segment-specific services, but they are easy to copy, which has forced banks to adopt a policy of steady selling of the offered services.

d. *Marketing is positioning on the market.* Banks need to consider the possibilities and to choose a specific position on the market, in order to distinguish itself from the competition

e. *Marketing means analysis, planning and control.* Develop the effective systems of analysis, planning, implementation and control of marketing activities, using the potential of the markets.

Starting from the issues mentioned above, it can be affirmed that the specificity of the financial and banking institutions print a number of peculiarities of the activity of marketing and provides additional clarification of those factors also essential that influence, strategic and operational relationships with the different categories of clients. Development and implementation of a policy geared towards marketing, banking institution, must be based on the study, identifying and meeting the needs of consumers, in a manner profitable for the bank, the anticipation and adequate reaction to changes in the market.

2. GENERAL FINANCIAL AND SAVING BEHAVIOR OF ROMANIANS

The decision to save in a bank deposit or to open a current account or to contract a loan or personal loan for purchasing a car, or for purchasing or building a house through a mortgage/real estate involves a number of factors that you must take into account. Few are those who thoroughly analyze the offerings of banks, making a professional appraisal and choosing accordingly.

As a result of a study undertaken by the Romanian Institute for Evaluation and Strategy (RIES) in 2012 it was found that 28% of respondents in urban areas would save, while most of them-32%-would invest into a business.

One of five respondents declared that they would give to someone else, just 20% stating that they would spend. 8 percent would invest in shares or would submit to an investment fund. If you need to save a large sum of money, the majority of the respondents would make it to a bank – 55%, 20% would buy shares or have submitted to an investment fund, while 17% would buy the currency. 7% would not take the risk of losing them, preferring to "keep in the mattress". More than 50% of respondents declared that they use products of any kind. One of 10 people in the urban area of banking services said they plan to take a loan from the bank in the near future.

Of these, 32% need of a sum of money for the renovation of the house, 29% for purchasing a house, 13% for purchasing of household goods and 8% for buying a car. Furthermore, 6% would invest in a business, 5% would pay off a loan, 5% would buy land and 4% would purchase furniture.[<http://media.hotnews.ro/> accesat la 01.09.2013]

Lending should be advantageous for the bank, because through the expansion and diversification of the credit portfolio, can obtain extra profit, and that on account of credits can develop businesses, to obtain profit and, on this basis, to repay loans and to pay interest. [Nedelescu M., Stănescu C. (2008)].

The most important criteria Romanians when they decide take into consideration when deciding for a loan is: the interest rate (64%), swiftness of credit (41%) and

the maximum amount one can borrow in relation to the income, being relevant for 29% of them.

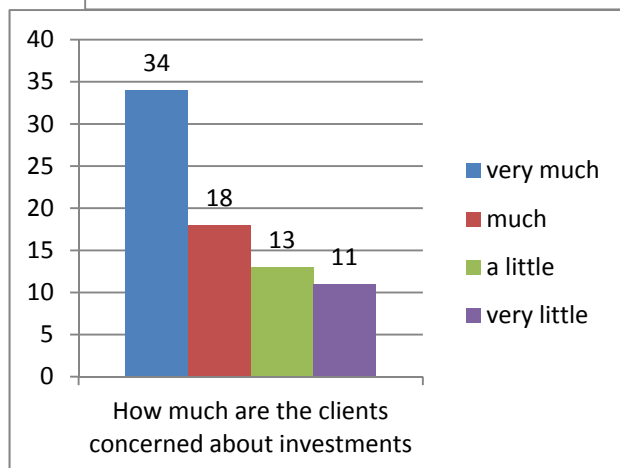
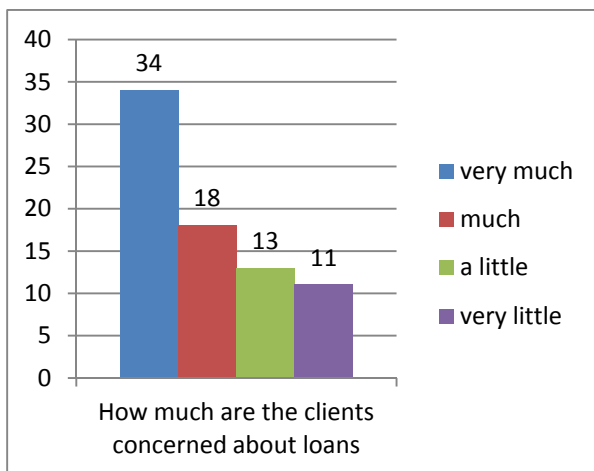


Fig.1. How much are the clients concerned about loans Fig.2. How much are the clients concerned about investments

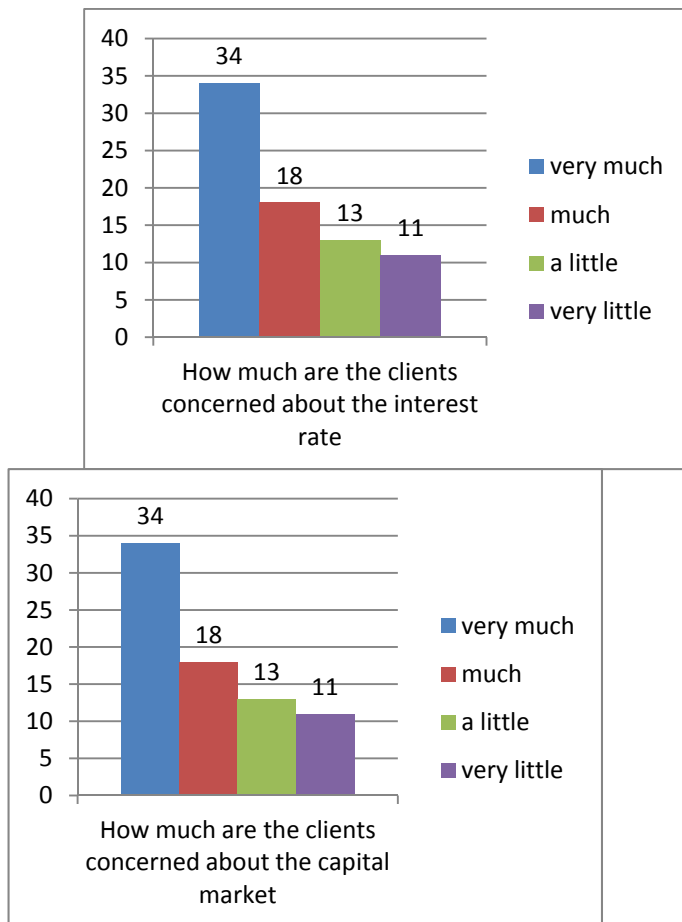


Fig.3. How much are the clients concerned about the interest rate
 Fig.4. How much are the clients concerned about the capital market

According to a study applied in 2012 in the Romanian Banking system, for Romanian banks is important [Catoiu I. (Supliment nr.3/2012)] : brand perception (bank and products), brand attitude (bank and products), buying motives, product satisfaction, buying behaviour, buying intentions, segmentation studies, target markets, brand positioning, fidelity tactics and consumer reactions.

3. GENERAL PERCEPTIONS ABOUT THE BANKING SYSTEM IN ROMANIA AND CONSUMER ATTITUDES

Romania's banking system is a system structured on two levels, including the National Bank and credit institutions. This system was introduced in December 1990 as the first step of the banking reform.

At the end of 2011, in Romania operated 41 credit institutions. According to the report published by the National Bank of Romania, the structure of the banking system was as follows:[<http://www.arb.ro> accesat la 29.08.2013]

- 2 banks state owned, 4 major private banks , 26 major foreign-owned banks, 8 branches of foreign banks and a network of cooperative property;
- 54, 6% of banking assets are concentrated in the top 5 banks in the system;
- Market share of credit institutions with major foreign capital is 83%;
- Market share of credit institutions with private Romanian capital is 8.8% (including cooperative property network);
- Market share of credit institutions with state-controlled capital is 8.2%.

Romanian banking market has grown tremendously over the years, and as the evidence of this, is the presence of an impressive number of banks offering varied services. The most important services offered by banks in Romania are: opening bank accounts, credit facilities (loans), services relating to the transfer of funds.

These types of services are accompanied by a wide variety of other services such as currency exchange, payment of fines, fees and duty of deposits, Overnight deposits, executor, safes, deposit boxes, travel insurance, traveler's cheques, eurocheques, etc. are also used in the Romanian banking system.

Currently, the domestic financial system is subject to the pressures of the international financial crisis, but the risks are controllable, because financial institutions in Romania do not have exposures on assets with high degree of risk that have destabilized the international financial system.

The financial crisis that we are experiencing today is one of the reasons for this state of fact. In order to maintain some financial institutions, the governments had to inject capital, so these institutions became state-owned [Ionescu A. (IECS 2012)].

At the onset of the crisis, the Romanian economy had already traveled over a period of several years of high growth, but accompanied by the accumulation of a relatively important external deficit and the rise of short-term foreign debt.

The banking sector, with its dominant position in the financial system has withstood these pressures well. Financial stability was put to the test due to a new vulnerability to the volatility of external financing. The deterioration of the external economic climate has had adverse consequences on the quality of the credit portfolio; credit risk and liquidity risk remains a major vulnerability of the banking sector. This has become more visible since the last period of 2008, falling by a further deterioration of the quality of the credit portfolio, generated mainly by slowing economic activity and the depreciation of the national currency rate.[http://www.editurauniversitara.ro/carte/finante_banci-6 accesat la 02.09.2013]

As the instability has become the dominant feature of the environment in which they operate, these banking institutions were in the situation of facing up to new challenges and to deal with major risks. All these operating conditions have led to increased competition in the financial sector and increased banks' vulnerability to adverse shocks. It is necessary to identify risks and vulnerabilities in the financial system as a whole and its components, because financial stability is a preventive monitoring. The emergence and development of malfunctions, incorrect assessment of risks and the inefficiency of capital allocation, can affect the stability of the financial system and economic stability.

Although the vast majority of banks reported high levels of outstanding credits or doubtful, the overall quality of these portfolios is favorable in the European context, coverage with provision of loans in Romania being higher than reported by many other

countries in Europe, due to the fact that the situation of the Romanian banks have held the portfolio of toxic assets.

The banking sector continued to record indicators of financial health in the positive range, being well capitalized and having appreciable financial results.

The efficiency of the banking system is directly linked to increased business volumes and cohesive, based in our country mainly on the attractiveness of the products in terms of cost and less based on the conquest of new segments of the market. Hence the need to rethink and reorganization of marketing activities at the level of banking institutions, with the aim of winning new market segments.

The ongoing global crisis leads to reduced economic activity so that domestic macroeconomic developments have a major effect on the health of the financial system.

Major current trend, particularly in the field of banking is moving towards the cyber-space, using the Internet for banking services to be delivered to customers as soon as possible, where and when they want.

The major electronic services offered to customers are Telephone Banking and Internet Banking. A bank should be as accessible to its customers. For this reason most banks decide to operate through several small offices but to maximize the geographic divisions.

Bank branches are found mainly in the municipalities, agencies and specialized agencies and they start to expand as much as moving from urban to rural areas, but the most popular are ATMs as they offer a set of banking services and can be placed anywhere: in shops, hospitals, universities, airports and various other buildings.

As a result of a survey carried out among consumers in Romania's coalition Government a series of information are summarized in Fig.5.”The level of trust in the banking system”.

The vast majority of Romanians using products hold a current account (including salary card), over one-third own a credit card, while 16% have taken credit for hthe personal needs.

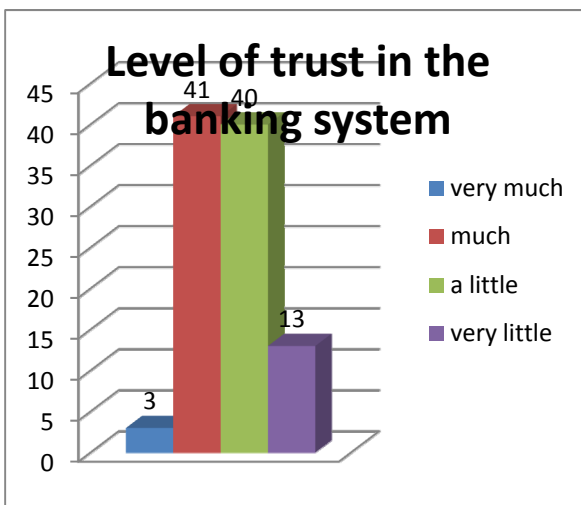


Fig.5.The level of trust in the banking system

One-third of respondents are using the machine weekly, one fifth, while another one-third use the ATM once a month. The rest of the respondents use it less often (6%) or at all (15%).

51% of Romanians do not use the card to pay before shopping, and 33% use it occasionally; 15% use most often, and 5% said they use it every time.

The study found that the the choice for one specific bank is determined by perceptual factors such as: confidence, kindness, etc., and in a lower proportion of the bank's offer. The most important criteria in choosing a bank is the trust that the bank inspire.

The kindness and availability of the bank's staff is the following criteria, being more important than the level of charges applied to the offered services. Other important criteria are: the facilities offered by the bank to loyal customers, distance from home and the range of services offered. Personal experience with the bank is truly important, while one's recommendation or advertising are less relevant criteria.

The main reasons for dissatisfaction are: high interest, the fees charged, attitude or behavior, time to perform the procedures, schedules, lack of transparency, changes not provided in the contract, interest on the deposit, small crowds and waiting time, inaccessibility or incorrectness of information received, and the range of services too low, low number of branches, ATM's or the non-powered and lack of flexibility.

The headquarters staff and timeliness in resolving clients' requests, the existence of services to suit best and advice in the choice of the optimal service offered by bank staff have an important impact on increasing customers' satisfaction. Attributes related to tariffs (fees and interest) are elementary conditions in choosing a bank, thus having a high potential in increasing customer satisfaction.

4. THE NOTORIETY OF BANKS IN ROMANIA

Brand awareness is the main advantage of a bank. Its history and the trust that has developed in the population are elements that contribute like a magnet to attract potential customers. The fact that the bank enjoys a good image weighs enormously in evaluating and contracting a product decision. There are situations when people refuse to access a product – even though it has the best conditions – due to the fact that the bidder bank is not trusted or its name is not "enhance" ... don't say anything.

The most powerfull banks (based on the market share) on the Romanian financial market are shown in Table 1 below.

Table 1. The most powerfull banks in the Romanian banking system (2012)

No.	Bank	Market share %
1	BCR	20
2	BRD	13

3	CEC Bank	7,85
4	Banca Transilvania	7,8
5	Raiffeisen Bank	6,8

Source: [<http://www.zf.ro/banci-si-asigurari/> accesat la 02.09.2013]

In 2012, the CEC had the third place in the ranking of banks after the first six months, with a market share of 7,84%, given that many years before the crisis has gravitated around ranking 8 or 9, being brought forward by many of the subsidiaries of foreign banks. CEC managed assets of 29 billion lei (6.4 billion euros) at the end of June. At the end of the last year, the third in ranking was Banca Transilvania.

Some of the big banks that lost the most of their market share during the crisis are Volksbank, Alpha and Bancpost, while others have maintained the market share or increased it marginally.

During the crisis the banks have gone from an aggressive strategy of selling loans to a more cautious approach, and many of them have reduced the level of financing.

Furthermore, some subsidiaries of foreign banks have started to reduce their exposure in the local market in the last period when they have remained without the support of parent banks, which left more room for players such as CEC. [<http://www.zf.ro/banci-si-asigurari/> accesat la 02.09.2013]

Among the banks present in Romania, BCR enjoys the highest reputation - 34% as shown in Figure 6.

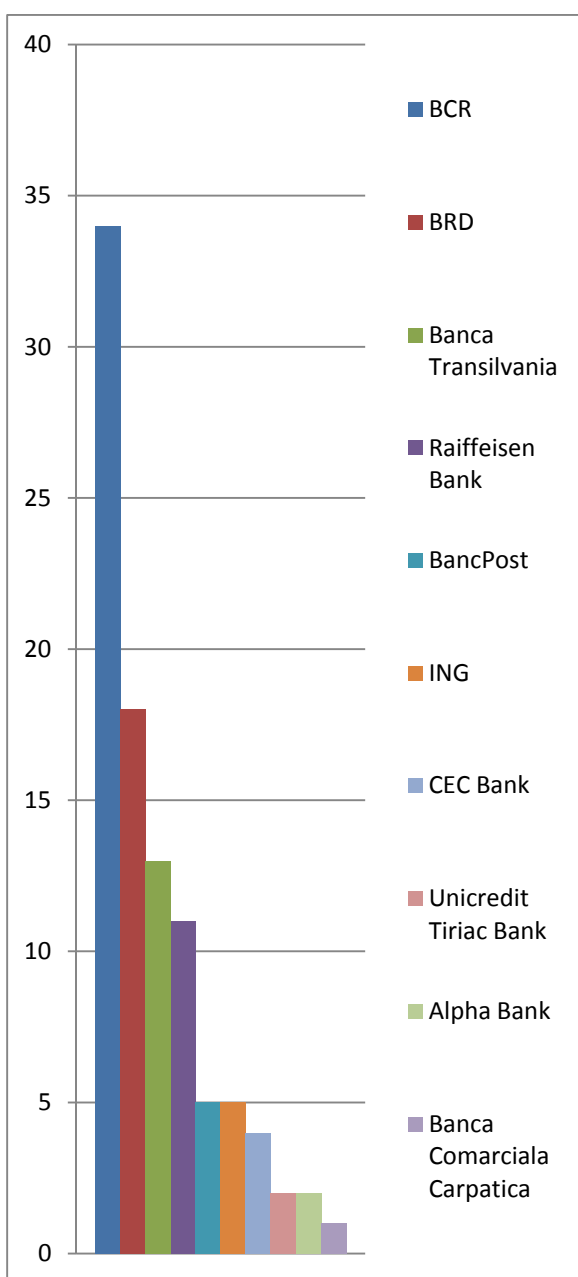


Fig.6. Top of mind in the Romanian banking system

This is followed by BRD mentioned by 18% of respondents, Banca Transilvania - 13%, Raiffeisen Bank - 11%, Bancpost - 5% and ING - 5%.

The rest of the banks were mentioned by less than 5% of respondents.[
<http://www.wall-street.ro/top/Finante-Banci> accesat la 03.09.2013]

Along with the good image the bank enjoyed, another decisive factor in attracting customers is the flexibility of the institution.

Understanding every special circumstances, differential treatment based on each customer's profile, eligibility phones are evidence of the flexibility of a bank.

The potential customer enters a bank through the advisors of the institution. Communication and partnership relationship between customer and bank is done through this interface. It is not enough for the bank to enjoy notoriety. It is more than necessary for the bank employees to live up to it. Human relations contribute decisively to making a clear decision. Professionalism of the counselor given by kindness, openness and promptness is a boon to any bank eager to attract more customers. There are cases when a potential customer gives up buying a product due to a strained relationship with the bank representative or ambiguous presentation.

Bank advisor should be prepared to put in the best possible light product benefits and answer any questions received from potential customers. Haste and especially surface treatment or arrogant are elements that give a bad grade to any bank representative.

No matter how much notoriety a bank enjoys, how attractive are its conditions, how professional is the credit counselor, a high price of the product will help deter any further purchase of the client. A high cost must bring more advantages for the related products, or the potential buyer will not be interested.

A further advantage is represented by a diversified product portfolio and complete next to a developed territorial network and continuously promoting of the bank. Branch network consists of strategically placed branch agencies and ensures the necessary visibility for the bank.

7. CONCLUSIONS

The success of the specialist marketing starts from the knowledge of the product/service offered, financial Bank continues with their in-depth understanding of the attitudes and behaviors of consumers financial banking products and ending with artistic creation, comic or didactic, advertising.

The decision of saving in a bank deposit it is, to open a current account or to contract a loan or personal loan or for purchase of a car, or to purchase or build a home through a mortgage/real estate involves a number of factors that you must take into account. Few are those who thoroughly analyze the offerings of banks, making a professional appraisal and choosing accordingly.

Most are subject to an impulse of the moment, guided by their own preferences or by counsel relatives. And advertising plays an important role and there are people who prefer to listen to the guidance of an advertising spot.

What does it matter? It must be said at the outset that in choosing a Bank or a specific product is not taken into account only its price. It is important that the relation between the Bank and the client, the professionalism of its members, services, reputation, attached to the confidence and the flexibility of the Bank etc.

The relation that is created between the Bank and the customer is very important, the professionalism of its members, services, reputation, attached to the confidence and the flexibility of the Bank etc.

The headquarters staff, ambiance and timeliness in resolving clients ' requests, the existence of services to suits to the client and advising in choosing of the optimal service

offered by Bank staff also have an important impact on increasing customers' satisfaction. And attributes related to tariffs (fees and interest) are elementary conditions in choosing a Bank, thus having a high potential in increasing customer satisfaction.

Medium and short term, financial banking companies will have to face new challenges, which will bring new trends in their operation.

Repositioning, refocusing the target segments of "the niche" appears to be the first viable for the continuation of trend in this sector.

Increasing competition for attracting and retaining customers ' good ' it will materialize in the lending sector by providing refinancing of loans and mortgages, as well as in terms of lending growth since it is closely related to the banks' ability to generate deposits.

Increase the penetration level achieved in cards whereas our country is still low compared to the level achieved in the European Union. This aim can be achieved through the development of the portfolio of products and stepping up marketing campaigns for the cards.

REFERENCES

1. Balaure V. (coord.) – *Marketing*, Editura Uranus, Bucuresti, 2000, pag. 27
2. Catoiu I., Edu T., Negricea C. - *The identification of the marketing approaches used in the Romanian banking sector – A market research*, Revista Economica, Marketing, Commerce and Tourism and a New Paradigm of Change, Supliment nr.3/2012, pag.75
3. Florescu C. – *Marketing*, Editura Independența Economică, Brăila, 1997, pag. 20
4. Haynes B.P - "Impact of workplace connectivity on office productivity." *Journal of Corporate Real Estate*. Volume 10, Number 4, 2008, pp 286-302
5. Ionescu A., Cârstea V. – *The Economic Crisis' Efect on Global Foreign Direct Investments*, Section 1: Economics of Crises Versus Crisis of Economics (ECCE), Proceedings of the 19th IECS 2012 International Economic Conference – The Persistence of Global Economic Crisis: Causes, Implications, Solutions (IECS 2012), Sibiu, Romania, June 15, 2012, pag. 513, ISBN: 978-606-12-0323-9. ISI Proceedings
6. Ionescu L. – *Elemente de marketing bancar*, Editura IBR, 2002, pag. 5
7. Nedelescu M., Stănescu C. – *Produse și servicii financiare*, Editura ProUniversitaria, București, 2008, pag.67
8. Odobescu E.-*Marketingul bancar modern*, Editura Sigma, București, 2003, pag.17
9. Zollinger M. – *Marketing bancaire: vers une banque de troisieme type*, Editions Bordas, Paris, 1985, pag. 18.
10. http://media.hotnews.ro/media_server1/document-2011-02-17-8311827-0-ires-analiza-national-banking-index.pdf
11. <http://www.arb.ro/sistemul-bancar-din-romania/sistemul-bancar-din-romania>
12. http://www.editurauniversitara.ro/carte/finante_banci-6/sistemul_bancar_din_romania_realizari_si_perspective/10140
13. <http://www.zf.ro/banci-si-asigurari/cec-a-muscat-din-cota-de-piata-a-bancilor-straine-si-a-ajuns-pe-locul-trei-10091785>
14. <http://www.wall-street.ro/top/Finante-Banci/99433/Topul-bancilor-in-functie-de-notorietate/4/Locul-8-UniCredit-Tiriac-Bank-2.html>