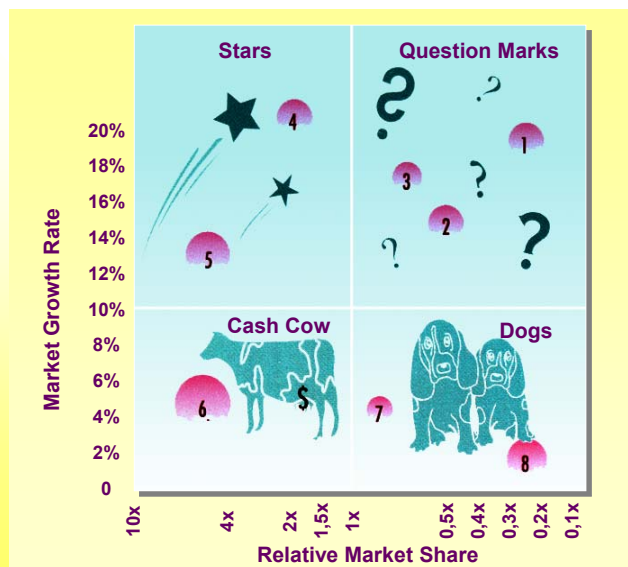




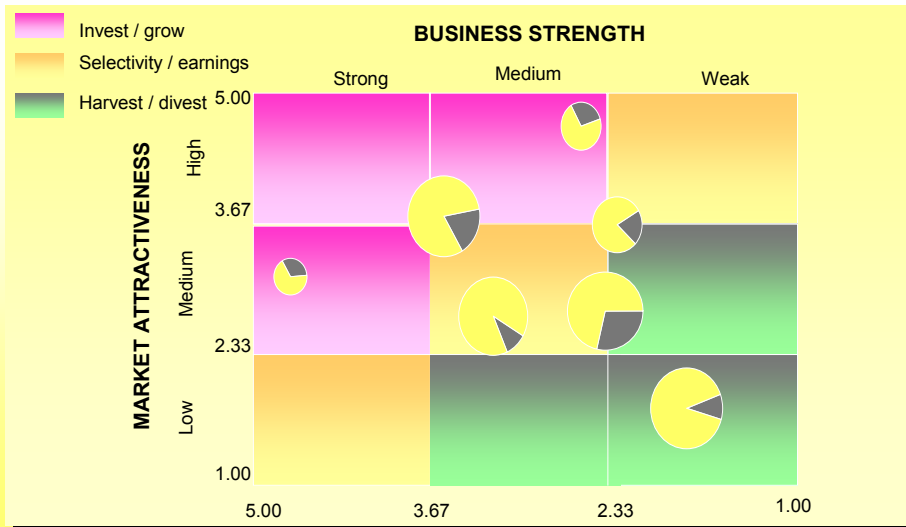
# Marketing of Financial Services: 4 Ps of the Marketing Mix

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Department of Marketing and Communications

## The Boston Consulting Group's Growth-Share Matrix



# Market Attractiveness: Competitive-Position Portfolio Classification and Strategies



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## Market Attractiveness: Competitive-Position Portfolio Classification & Strategies

**(b) Strategies**

**BUSINESS STRENGTH**

		Strong	Medium	Weak
<b>MARKET ATTRACTIVENESS</b>	High	<b>PROTECT POSITION</b> 1. Invest to grow at maximum digestible role 2. Concentrate effort on maintaining strength	<b>INVEST TO BUILD</b> 1. Challenge for leadership 2. Build selectively on strengths 3. Reinforce vulnerable areas	<b>BUILD SELECTIVELY</b> 1. Specialize around limited strengths 2. Seek ways to overcome weaknesses
	Medium	<b>BUILD SELECTIVELY</b> 1. Invest heavily in most attractive segments 2. Build up ability to counter competition 3. Emphasize profitability by raising productivity	<b>SELECTIVITY/MANAGE FOR EARNINGS</b> 1. Protect existing program 2. Concentrate investments in segments where profitability is good and risks are relatively low	<b>LIMITED EXPANSION OR HARVEST</b> 1. Look for ways to expand without high risk; otherwise, minimize investment & rationalize operations
	Low	<b>PROTECT &amp; REFOCUS</b> 1. Manage for current earnings 2. Concentrate on attractive segments 3. Defend strengths	<b>MANAGE FOR EARNINGS</b> 1. Protect position in most profitable segments 2. Upgrade product line 3. Minimize investment	<b>DIVEST</b> 1. Sell at time that will maximize cash value 2. Cut fixed costs & avoid investment meanwhile

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# PRODUCT POLICY

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## Several levels of a product

- the core benefit
- the actual product: product features
- the expected product: product promises
- the augmented product: service and support
- the potential product: future transformations

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# Example:

- Financial advice = **the core product**
- Receiving advice on products and services to meet current and future needs = **the actual product**
- Impartial advice from a reliable source = **the expected product**
- Periodic reviews and mailing information to customers = **the augmented product**
- Anticipate customers' need, provide for needs before they arise = **the potential product**

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## Benefits of branding

- ✦ Branding gives the seller the opportunity to attract a loyal and profitable set of customers. Brand loyalty gives sellers some protection from competition and greater control in planning their marketing program.
- ✦ Strong brands help build the corporate image, making it easier to launch new brands and gain acceptance by distributors and consumers.
- ✦ Branding helps the seller to segment markets. Instead of Level Brothers selling a simple detergent, it offers many detergent brands, each formulated differently and aimed at specific benefit-seeking segments.
- ✦ The seller's brand name and trademark provide legal protection of unique product features, which competitors otherwise be likely to copy.
- ✦ The brand name makes it easier for the seller to process orders and track down problems.

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# Branding strategies

## 1. Corporate dominant strategies

- applicable to all types of financial institutions
- efficient way to promote many products
- corporate identity: a way to identify physical dimension
- divisional branding: to serve a separate segment of customers

## 2. Dual branding strategies

- used for mergers and acquisitions
- justification: customers don't alienate of the pre-merged organizations

## 3. Brand-dominant strategies

- focus on product-level

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## Tactical branding decisions

1. Selecting the brand name
2. Selecting the brand symbol/logo
3. Registering a servicemark

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## Types of brand names

- ◆ Corporate/house trade name (e.g. **United Colors of Benetton**)
- ◆ combination of a corporate/house trade name with individual product names; these are brand names with strong company endorsement (e.g. **Vodafone** 60 Promo, **Vodafone** SMS 150).
- ◆ combination of a common trade name with individual product names (e.g. **Nescafé** Classic, Nescafé Select, Nescafé Gold Blend of Nestlé)
- ◆ Individual brand names

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## Guidelines associated with brand name success

- Use many vowels that makes its pronunciation easier (e.g. IKEA).
- Brand names must preferably be short (e.g., FIAT).
- Brand names should not carry negative or offensive meanings (e.g., Seat's Malaga series could not be used in the Greek market because it very much sounds like an offensive Greek word).
- Artificial brand names ensure that they are not used by another company (e.g., KODAK).
- Brand names may describe certain product characteristics or uses (e.g. Everyday).
- Brand names may suggest the impact they have on people (e.g. EasyJet).
- Brand names should not be similar to competitive brands for avoiding customer confusion (e.g., B.F. Goodrich and Goodyear tire manufacturers usually cause confusion).

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# Selecting the brand symbol/logo

- Visual expression of a brand
- Appropriate vehicle for differentiation, brand awareness and loyalty.
- Successful logos convey the values of the financial service

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## Types of brand symbols

- Corporate names or trade names rendered in a distinctive typographic form (e.g., Coca-Cola, Mars)
- Visual devices divorced from the corporate name, but with a close and obvious association with the name or the activities of the business (e.g., the “dough boy” of Pillsbury).
- Abstract logos that have no obvious relation to the corporate or product name (e.g. the Peugeot lion). Instead, such logos reflect the brand’s values (i.e., Peugeot vehicles have the strength of a lion).

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# Registering a servicemark

- Word, phrase, symbol or design, or a combination of them, that identifies and distinguishes the source of the services of one party from those of others.
- Not compulsory by law
- Avoidance of commercial and legal risks
- Servicemarks are followed by the symbol <sup>SM</sup>
- The sign ® (“registered”) can only be used only after the mark is actually registered, and not while an application is pending.

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## Financial institutions can register:

- A **national servicemark**. The standard procedure involves filing an application to the Ministry of Commerce or Trade.
- A **European servicemark**. An application should be submitted to the Office for Harmonization in Internal Market (O.H.I.M.), which is based in Alicante, Spain.
- An **international servicemark**. An application should be filed to the World Intellectual Property Organisation (W.I.P.O.) based in Geneva, Switzerland (valid in more than 150 member states, except the U.S.A.).

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## Co branding strategy

- A co-branding strategy is followed when a product's brand bears two or more well-known brand names.
- Aim: taking advantage of the strong image of the cooperating company in a specific market.
- Citi/AAdvantage® VISA Gold Card which was created with the cooperation between Citibank and American Airlines, and particularly the bank's VISA gold card with one of the most popular travel reward programmes in the world - the American Airlines AAdvantage® programme.

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## Cause- branding

- A specific "cause" is supported by the profit-seeking financial services company, usually by offering a percentage of the product's sales to the non-profit company.
- Cause-branding is common in credit cards.
- W.W.F. Eurobank Visa is cosponsored by the World Wild Fund and EFG Eurobank Ergasias-a leading Greek bank. EFG Eurobank Ergasias offers 1,5 Euros for every annual subscription, while 3 Euros are given to W.W.F. Hellas for every transaction made with the card.

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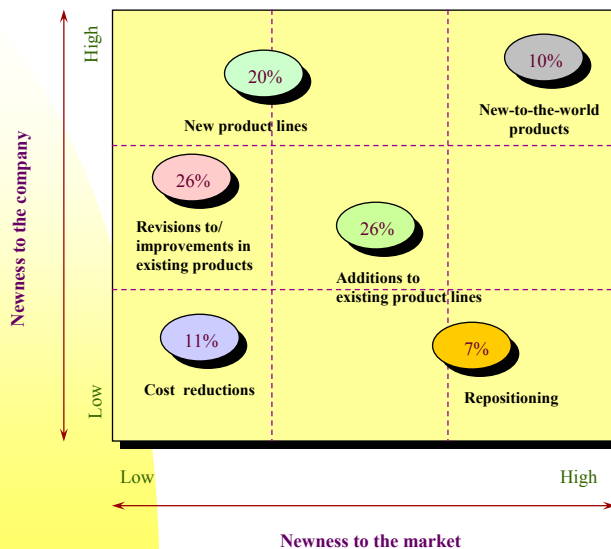
# PRODUCT DEVELOPMENT

## AIMS OF FINANCIAL SERVICE DEVELOPMENT

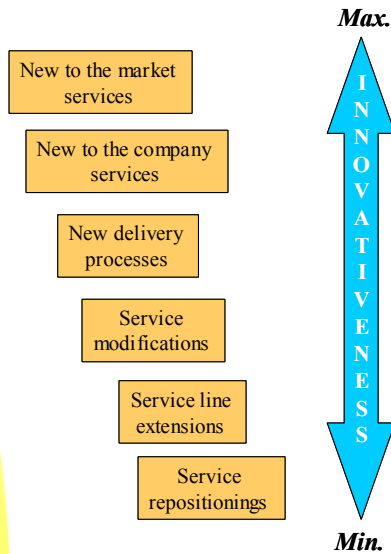
- *Attracting consumers from outside the present market*
- *Increasing sales to the existing market*
  - increasing cross-selling
  - attracting core accounts from competitors
  - Developing products for sale to competitors' customers independent of the core account
- *Reducing costs*

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## TYPES OF NEW PRODUCTS (Booz, Allen and Hamilton)

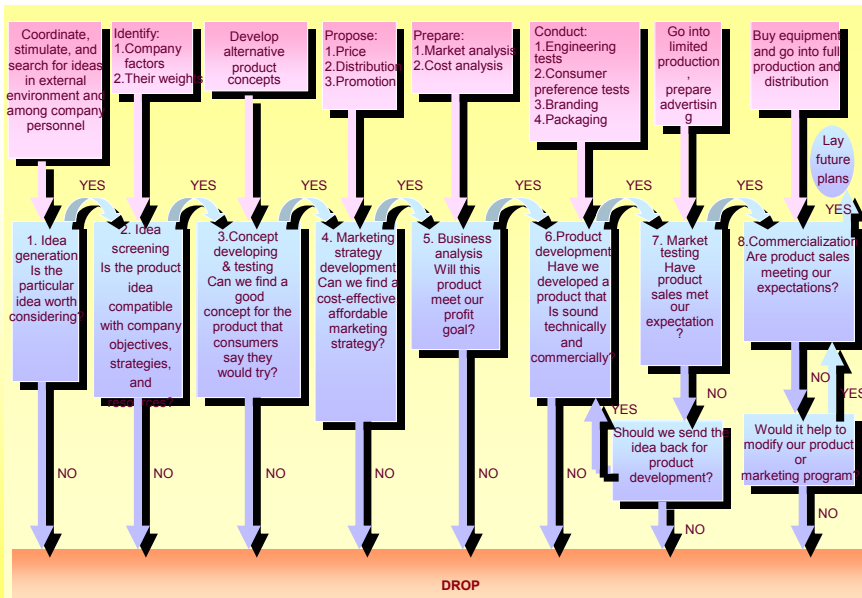


## Service innovativeness categories



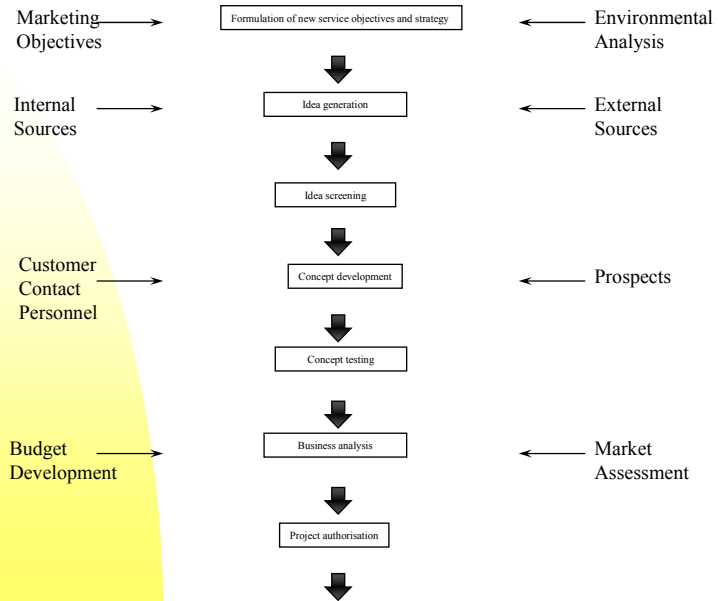
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## The New-Product-Development Decision Process



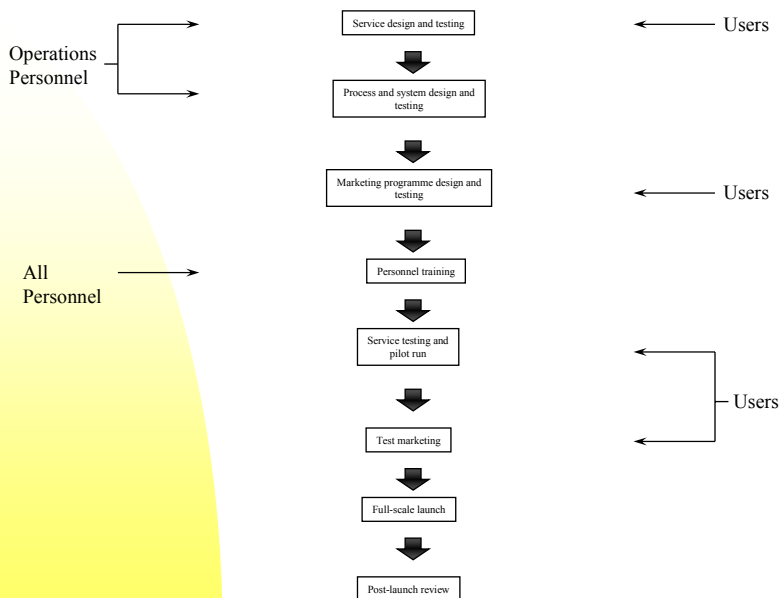
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## New service development model (1)



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## New service development model (2)



Source: Scheuing and Johnson (1989)

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## Key differences between new products and new services

- Intangibility:
  - ◆ Risk of haphazard development process (skipping steps)
  - ◆ Risk of new service imitation
  - ◆ Absence of a physical prototype to test
  - ◆ Difficulties in service evaluation-Physical clues are important
  - ◆ Difficulties in determining actual cost of new service
- Simultaneous production & consumption:
  - ◆ Clients buy both the service outcome as well as the service experience. Company-client interface is critical for success
- Heterogeneity:
  - ◆ Possible customer perceptions of inconsistency, unreliability and purchase risk
  - ◆ Need for tailoring service to customer needs
- Perishability:
  - ◆ Possible over- or under-capacity problems.
  - ◆ Need for service line additions that will make use of existing operating and delivery systems during periods of low demand and/or offer alternate, peak load versions of a service when the company is strapped to capacity

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## Idea generation

- The ideas can be based on customers' needs, solutions to customers' problems, inventors' cognitive processes, an extensive market research and recent market trends. Only a small proportion of ideas generated at this stage can survive through the long new financial product development process, a major characteristic of an effective idea generation is that a wide variety of ideas from a wide variety of sources need to be considered.

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# Idea screening, development and testing

- It is one of the key new financial product development activities that banks use to reduce the risks and uncertainties associated with new financial products.
- This way potentially successful new financial product ideas are checked.

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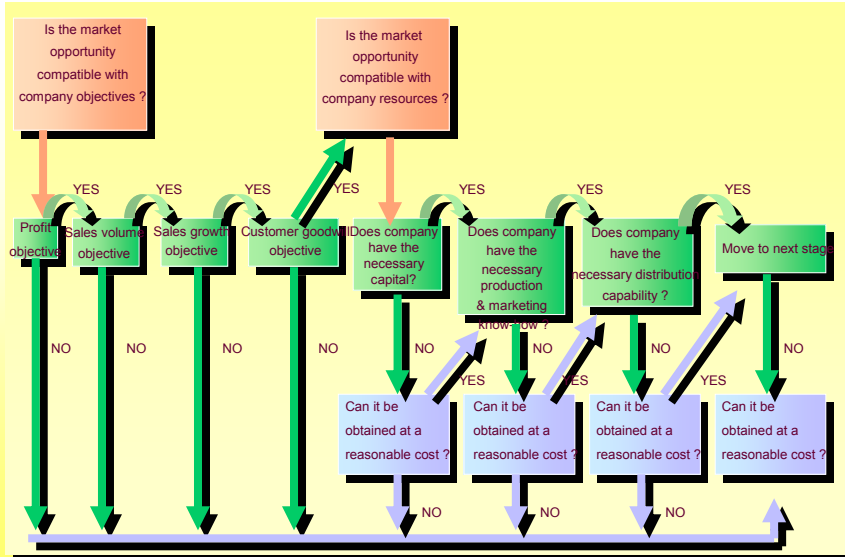
## Tips for idea screening

In order to identify the most important criteria for evaluating a new product idea, a market study can be very useful. Gathering information about:

- What do the customers want to buy?
- What choice criteria do the customers use?
- Where do customers buy similar products?
- How much money are customers willing to pay for the product?
- How often do customers plan to buy the product?

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## Evaluating a Market Opportunity in Terms of the Company's Objectives and Resources



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## Scoring model for idea screening

Screening criterion	Score	Weight factor	Weighted score
Market size	5	0.3	1.5
Difficulty of service imitation	6	0.2	1.2
Existence of competitive services	7	0.3	2.1
Specialized Human resources requirements	2	0.1	0.2
Service fit with existing markets served	8	0.1	0.8
<b>Total score</b>			5.8

**Note:**

Score and weighted score ranges from 1-10

Weighted factors sum up to 1.0

Weighted scores 1-4: idea rejected, 4.1-6: idea reconsidered, 6.1-10: idea accepted

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## Screening criteria

- (a). **Economic performance / Financial Potential:** assessment of the project's market potential; expected sales growth, market growth and market share; ROI; and probability of success).
- (b). **Corporate/Internal Synergy:** utilisation of the company's experiences, capabilities, and already established marketing facilities).
- (c). **Technological Synergy / Production-Design Synergy:** utilisation of current servuction facilities, methods and design resources).
- (d). **Product Differential Advantage:** product uniqueness and superiority achieving a competitive and/or technological edge.

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## Marketing strategy development

- This include following:
  - Description of the target market, its size, structure and behavior, planned positioning, sales, market share and profit goals for the first few years
  - Planned pricing, distribution strategy and marketing budget including advertising
  - Long-run sales and profit goals and marketing mix strategy over time, taking into account not just the introduction of the product but how it is to be maintained and managed.

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# Business analysis

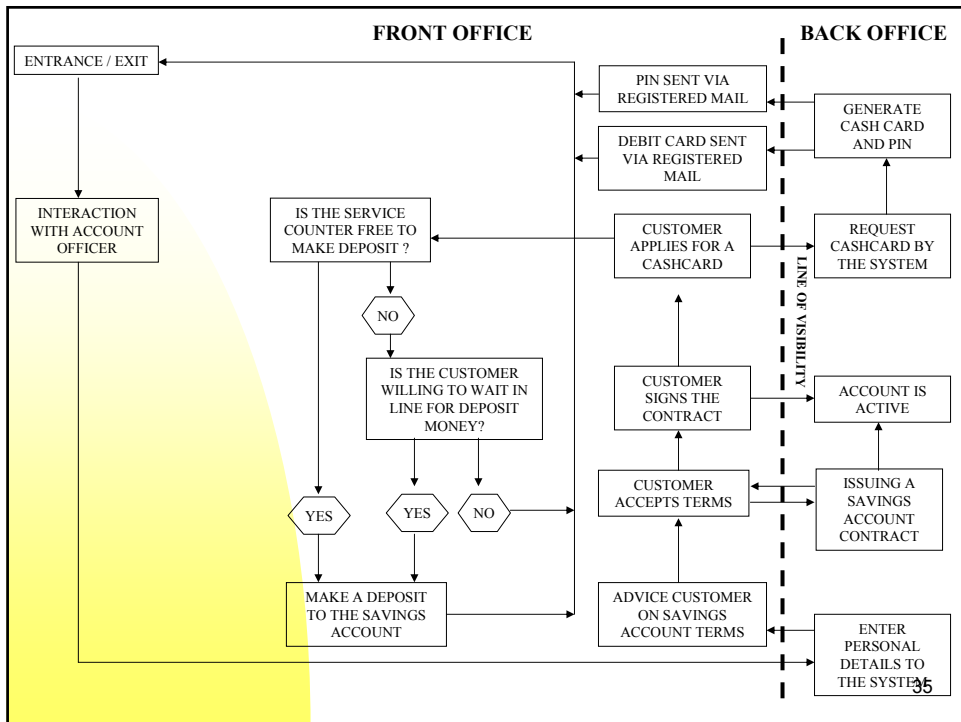
- In general these methods are used for business analysis:
  1. Cost and sales forecast
  2. Discounted cash flow analysis
  3. Return-on-investment analysis
  4. Payback period
  5. Break-even analysis

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# Product development

- The strategy at this stage is to convert the new financial product idea that just passed the business analysis phase into a new financial product. This stage requires the collaboration of people from operations, marketing and other functional areas (treasury, edp).

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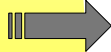
## Market testing

- Studies have shown that market testing can account for nearly half of total development efforts. Market testing can be valuable for banks since it can help them ascertain the functionality of their new financial products and determine whether the new financial products meet customer requirements.

However, it's not used extensively. WHY ?

# Commercialisation/launch

- At this stage, banks implement their marketing, financial production and post-launch plans for their new financial products and monitor and, if necessary, adjust their activities. New financial product commercialisation usually involves both strategic (which new financial product to offer, who to offer, when to offer and why to offer) and tactical (how to offer) decisions.



Roll-out launch strategy

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## Relative ranking of development activities according to their impact on performance for retail financial services

New service development activities	Innovative consumer services	Non-innovative consumer services
Idea generation and screening	Highest positive impact	No significant impact
Technical development	4 <sup>th</sup> highest positive impact	2 <sup>nd</sup> highest positive impact
Market testing	No significant impact	No significant impact
Operational testing	Negative impact	No significant impact
Internal marketing and training	2 <sup>nd</sup> highest positive impact	No significant impact
Marketing strategy and commercialization (+)	3 <sup>rd</sup> highest positive impact	Highest positive impact

Source: Avlonitis and Papastathopoulou (2001)

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### Impact of development activities on the success of different types of service innovativeness

<i>Development activities</i>	Idea Generation and screening	Business Analysis and Marketing Strategy	Technical Development	Testing	Launching
<i>Type of service innovation</i>					
<b>New to the Market</b>					
<b>New to the Company</b>					
<b>New Delivery Process</b>					
<b>Service Modification</b>					
<b>Service Line Extension</b>					
<b>Service Repositioning</b>					

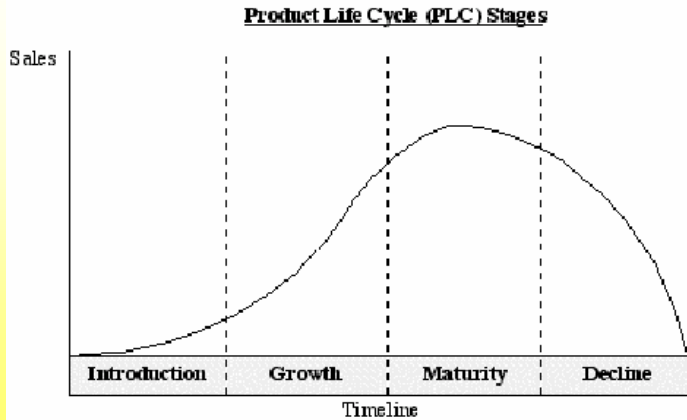
OVERALL PERFORMANCE  
 FINANCIAL PERFORMANCE  
 NON-FINANCIAL PERFORMANCE

Source: Gounaris, Papastathopoulou and Avlonitis (2009)

### Most frequently used marketing communications tools

Innovative services	Non-innovative services
i) Detailed product manuals for the salesforce	i) Selling efforts at the points of sales
ii) Pamphlets and leaflets	ii) Detailed product manuals for the salesforce
iii) Training seminars for the salesforce	iii) Training seminars for the salesforce
iv) Selling efforts at the point of sales	iv) Pamphlets and leaflets
v) Indoor advertising	v) Indoor advertising
vi) Articles about the product in the business press	vi) Intensive selling efforts
vii) Intensive selling efforts	
viii) Selling efforts through "cross-selling"	
ix) Newspapers advertising	

# Product life cycle



.1

## Introduction

- market conditions:** few players, limited competition, slow growth
- market objectives:** awareness and comprehension of the new product concept and trial
- product:** basic product with limited features
- price:** low or high depending on strategy
- promotion:** selected promotion aimed at initial adopting segments, messages to raise awareness and highlight benefits
- place:** limited distribution and opportunity for use

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# Growth

- market conditions:** competition increases, sales increase
- market objectives:** adoption, increase in volume and value growth
- product:** product proliferation, increase in features, product differentiation and market segmentation
- price:** introduction of some fees
- promotion:** mass advertising
- place:** more intensive distribution

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# Maturity

- market conditions:** intense competition
- market objectives:** holding market share, customer retention and relationship building
- product:** affinity association, loyalty building, branding and co-branding
- price:** intense price competition
- promotion:** heavy advertising and promotion (encouraging switching)
- place:** further increase in distribution places

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# Decline

Reasons:

- customer needs have changed
- new technology
- changes to legislation

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# Product deletion

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- κ Two types of product elimination
- κ Elimination process
- κ Financial services elimination strategies
- κ Post-elimination customer relationship

# Types of product deletion

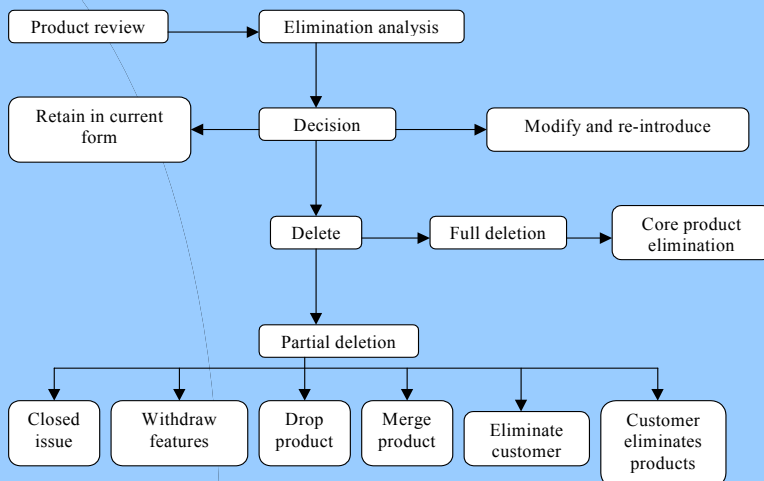
- full elimination

(the removal process takes the product out of existence for new customers and possibly existing customers)

- partial elimination

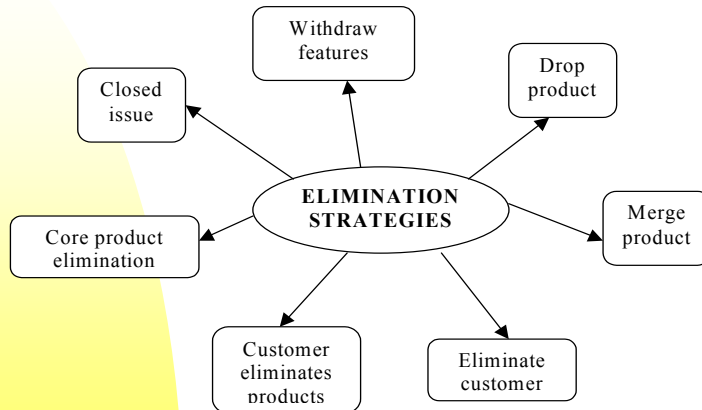
(the product endures some form of elimination but maintains on existence in the financial institution because of contractual obligation)

## Elimination process





# Elimination strategies



## 1. Make a product closed issue

- Product not offered to new customers, existing customers unaffected
- existing customers cannot make further use of facility
- product kept open only for specific segments to retain 'valued' customers

### Implications:

- It gives time to decide what to do with it
- the product continues to consume a degree of administration support
- Consumer may decide to choose alternative products

## 2. Withdraw features

- removing the non-essential features and options of a product to essentially simplify the core product function
- product features can be removed simultaneously, or alternatively phased out separately

### Implications:

- way of reducing the costs of maintaining the product and its administration support
- a step towards full elimination or starting off the process of natural elimination

## 3. Drop the product

- Drop the product's features and core attributes
  - used to protect investment of an established brand name
- introduce a new product under the existing brand name
  - when the brand-named product no longer meets consumers' needs
- keep the brand name and existing systems
  - to move the existing customers to the new products

## 4. Multi product amalgamation

- a number of products are amalgamated (merged) to create a new product
- similar or duplicate products must exist which can be amalgamated without infringing contractual obligations

Implications:

- can be used as part of a product development strategy
- to achieve product range simplification, service level improvement, cost reduction, creation of spare capacity in operational systems

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## 5. Elimination of “customer”

- Find a buyer for the customer if still generating business
  - close the product down if use is low
  - increase the price to make it too expensive for the customer, who will choose to leave
- Implications:
- to stop the customer from continuing to be a customer
  - to concentrate on the core business
  - costs reduction and removal of unprofitable customers

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## 6. Customer eliminates product

- Customer breaches the terms and condition of the product
- the product ceases to function (i. e. insurance cover no longer provided), or its original intention is altered (e. g. repossessed house due to mortgage default)

### Implications:

- when the customer break the contract between him and the institution
- The institution can terminate the use of the product entirely or can remove certain features from the use

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## 7. Core product elimination

- the core product is withdrawn from the market
- the product no longer exists in any form in the institution
- full elimination and final activity of the elimination process

### Implications:

- Not appropriate to all products at the same level
- It can be at **product level** (to remove product) or at the **market level** (withdraw from a segment market), or at the **organisation level** (the institution ceases trading)

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## **Post elimination customer relationship**

- Management burden for the old product may remain similar
- Communication between customer and institution
- The time-scale for completion of elimination
- Use of incentives

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## **Distribution of financial services**

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# Distribution Channel Management

- Establishing channel objectives
- Designing and establishing channel systems
- Evaluating channel systems
- Modifying distribution channels
- Managing channel conflict
- Selecting and terminating channel members
- Evaluating channel members

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# Direct Distribution Channels

- Direct marketing
  - ◆ Direct mail
  - ◆ Direct response advertising
- Branch network
- Direct sales force

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## Development of branch networks

- Expansion of branch networks during the 1960s-1970s
- Started to recognise the value of personal markets – need for numerous branches in convenient locations
- During the 1970s and 1980s some mergers took place – over-branchment in certain locations

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## Development of branch networks

- Reduction in the number of branches
- Wanted to control costs in an effort to offer better interest rates

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## Development of branch networks

- Greater industry competition and economic hardship/recession
- Merger/acquisition activity has produced a confused corporate identity across some networks, as well as “over banking” in certain areas

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## Development of branch networks

- Many outlets dating from the 1960s/1970s are out of fashion and need renovating
- The dynamism found in many core retail areas, especially with the spate shopping centre developments in the 1980s and 1990s, has resulted in many branches now finding themselves in less than optimum locations

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## Direct sales force

- The direct sales force roles include:
  - selling the product
  - becoming a problem-solver in many situations
  - building and servicing the continuing relationship and cross-selling other products

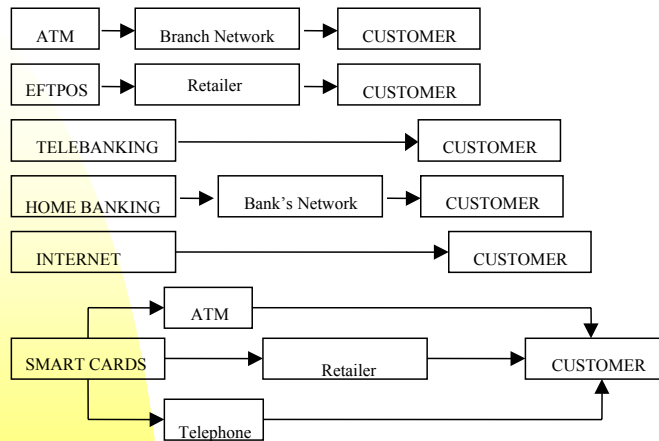
65

## Indirect Distribution Channels

- Tied intermediary
  - ◆ Building society → Estate agency → Customer
  - ◆ Broker → Investment house → Customer
  - ◆ Insurance co. → Bank → Customer
- Independent intermediary

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## Technology-driven delivery channels



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## ATMs - Reasons for installing

- To increase customer convenience and traffic
- To reduce cheque volume
- To reduce labor costs and cash security problems
- To provide a financial institution clear strategic advances

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# ATMs - Key questions

Key questions have to be addressed to financial institutions:

- ★ Who are the leading deployers?
- ★ How large is the market and how fast is it growing?
- ★ What services are being delivered through ATMs?
- ★ How does usages vary, by country and by deployer?
- ★ What types of ATMs are being installed?
- ★ What software is used to drive ATMs?
- ★ Who are the leading suppliers of hardware and software in each country?

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# ATMs - Technological barriers

- Reliability
- Security from fraud
- Volume generation at any particular location
- Relatively high costs per machine network

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ATMs provide cash accessibility from branch location, retail or travel- centre locations or, increasingly, from remote sites. There is now a trend to establish ATMs in **away-from-branch locations** such as shopping centres and commercial complexes.

ALSO...

As competition intensifies, the marketing potential of ATMs is also being exploited through the advertising messages, which are screened and the announcements of new product offers.

“MICROBANK” ... an advanced form of ATMs

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The screenshot shows the website of the Cypriot Bank (Τράπεζα Κύπρου) in Microsoft Internet Explorer. The browser's address bar shows the URL: http://www.bankofcyprus.gr/ebanking.htm. The website header includes navigation links for English, F.A.Q., Επικοινωνία, Site map, and Home. The main content area features a section titled "Τι είναι το Microbank:" with a circled title and an arrow pointing to it. Below this, there is a paragraph describing the Microbank service as a pioneering concept of the Cypriot Bank, offering video-conferencing, optical-audio communication, and real-time electronic document submission. A second section, "Τι προσφέρει το Microbank:", lists various services such as loan requests, personal loan disbursement, card activation, and information for deposits and foreign exchange.

Video-conferencing technology

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# Smart cards

- The terms "chip card," "integrated circuit card", and "smart card" really all refer to the same thing
- A smart card is a credit-card sized plastic card with an embedded computer chip
- The chip connection is either via direct physical contact or remotely via a contact-less electromagnetic interface

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## Smart cards - Major programs

- E-Purse
  - ★ Works as a pre-payment Card
  - ★ Targeted at reducing the costs associated with small value transactions
  - ★ Mondex and VisaCash are both electronic purse products
- Debit/ Credit
  - ★ Financial institutions in many countries are adding chips to their current magnetic stripe cards to enhance security and offer new services
  - ★ Major programs are AMEX Blue Card, the French Chip Card called CB

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# “New” channels of distribution

- Telebanking:
  - ◆ First step in 1989 with First Direct
  - ◆ The call centre
  - ◆ 3 main methods: Person-to-person, Tone/speech based, Screen based

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Banking through...

...**Interactive digital TV**



Interactive digital TV offers the integration of television cable, satellite and internet services

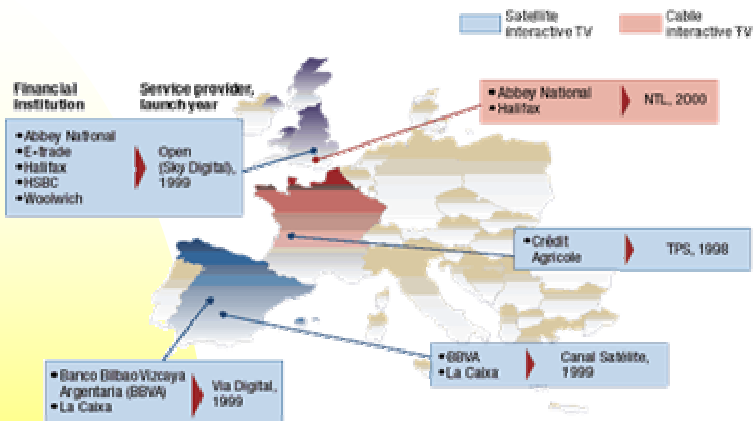
76

## IdTV permits a financial company:

- to deliver financial advice in interactive formats in real time
- to link traditional TV commercials to sites where viewers can buy products on-line
- to display its products in full-length programs
- to tailor their offers precisely by collecting detailed data about the profile of the viewers

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### European financial institutions are banking on interactive television



Source: Company announcements; McKinsey analysis

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HSBC the choice is yours - Microsoft Internet Explorer

the choice is yours

Available 365 days a year, TV Banking puts you in control, giving you the freedom to manage your finances whenever you decide.

Evapn | HSB... | Micro... | HS... | 11:30 pm

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HSBC remote control banking - Microsoft Internet Explorer

remote control banking

If you have an HSBC current, savings or credit card account with us, you can also register to access your accounts. It's safe too, because we use industry data encryption standards and you use a security number each time you enter the service.

Please note for customers banking in Jersey, Guernsey and Isle of Man that although we offer access to your accounts using our TV Banking service, not all of our other services or products may currently be applicable or available.

Evapn | HSB... | Micro... | HS... | 11:31 pm

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HSBC what's on the menu? - Microsoft Internet Explorer

HSBC make a choice

choose your account

- CURRENT ACCOUNT
- PLATINUM
- INST ACC SAV

choose what you'd like to do:

- 1 view your balance
- 2 view your transactions
- 3 transfers
- 4 payments
- 5 view your direct debits or standing order payments

press the green button for a summary of all your balances

Open....

what's on the menu?

A wide range of banking services are on the menu. You simply select the option you need using your remote control.

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## *Internet banking*

- customers responsiveness
- the cost advantage
- on - line advertising & offering

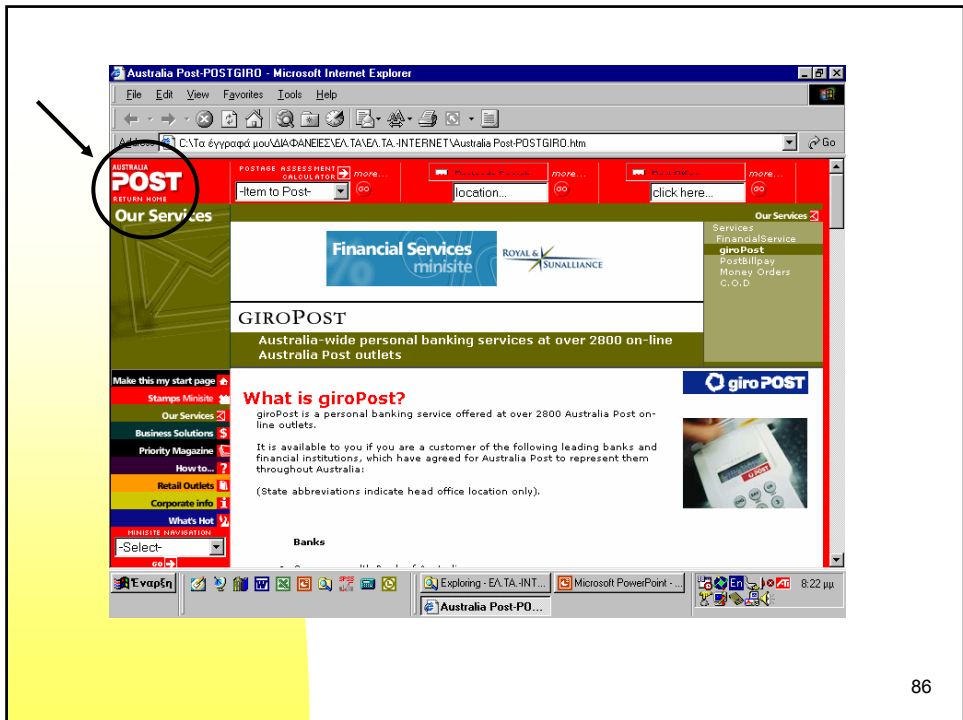
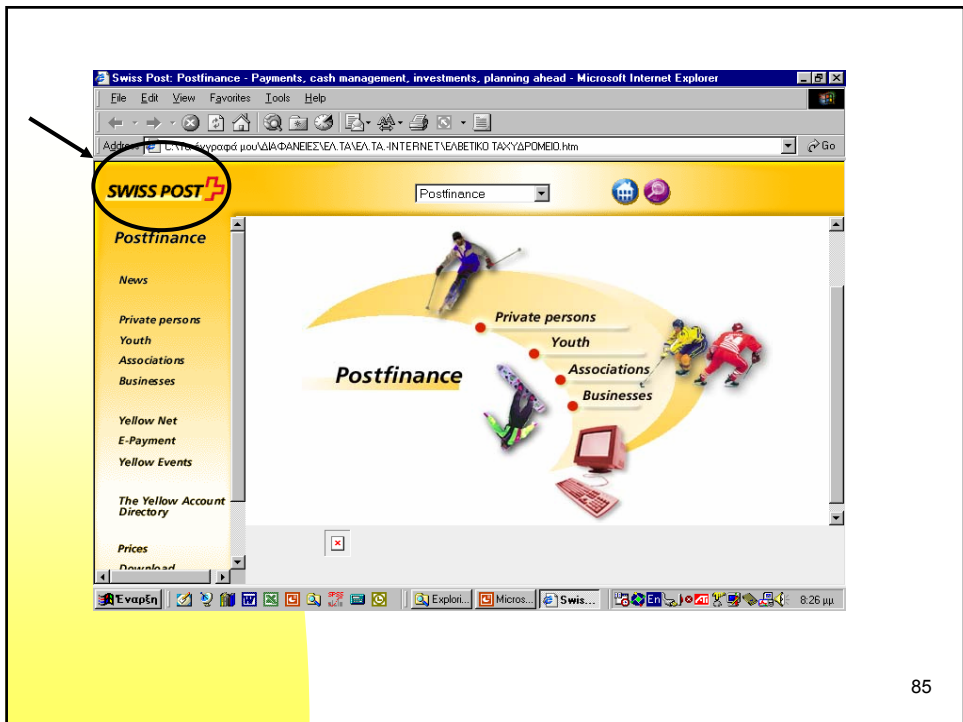
# Internet banking

- Traditional players
- Non-traditional “new comers” (e.g. post offices)

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The screenshot shows a Microsoft Internet Explorer browser window displaying the 'An Post Interactive - One Direct' website. The browser's address bar shows the URL: C:\Τα έγγραφά μου\ΔΙΑΦΑΝΕΣΣΕΛΤΑ\ΕΛΤΑ-INTERNET\Insh Post\_One Direct.htm. The website has a blue header with navigation links: ABOUT, NEWS, PHILATELIC, HOME, BUSINESS. Below the header, there are links for Savings, Post Office Finder, Products, Payments, Services, and Lotto. The main content area features the 'ONE DIRECT' logo and a paragraph: 'One Direct, the An Post Financial Services Company. One Direct will be the financial services brand of the post office and will increasingly utilise the call centre, post office network and the new electronic channels of the intranet and interactive TV to market the financial product range.' At the bottom of the page, the phone number '1890 22 22 22' is displayed in large orange text. The browser's taskbar at the bottom shows the system tray with the time 8:22 μμ and various icons.

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2,500 Western banks are on-line, BUT...  
8 million people use it

**A low adoption rate of Internet banking in Europe**

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## *Wireless (SMS/WAP) banking*



The two main technical standards currently available for wireless banking are:

- the Short Message Service (SMS), a simple but effective standard for brief text messages, and
- the Wireless Application Protocol (WAP), a more recently developed standard providing access to the Web, though in a less elaborate form than PCs do.

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Most mobile-banking services using these standards are still extremely basic, offering information such as account balances and stock prices or permitting customers to transfer money between accounts.

But more complex transactional services are rapidly appearing.

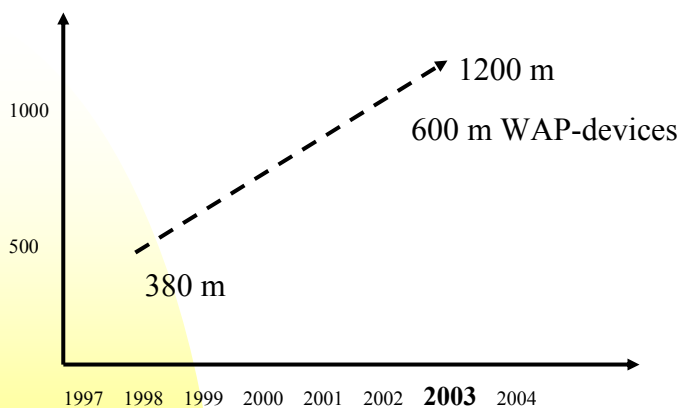
Customers of brokers as diverse as:

- Fraser Securities (Singapore),
- Fidelity (the United States), and
- Fimatex (France) can now trade stocks using a mobile phone or personal digital assistant (PDA).

Banks ranging from HSBC (Hong Kong) to MeritaNordbanken (Scandinavia) offer mobile bill-payment services.

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### Projected number of mobile phones, worldwide



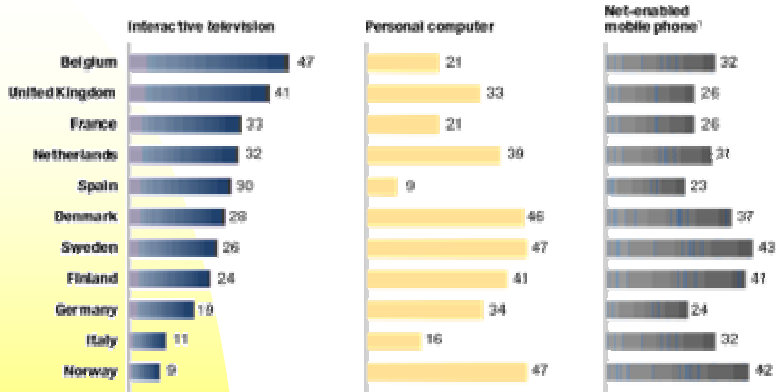
Sources: Dataquest; Nokia, Ericsson estimates quoted by Bo Harald "From wired banking and e-commerce to wireless", MCE Financial Services Conference, Brussels, 2000

90

EXHIBIT 5

**Interactive television: Europeans are expected to tune in**

Forecast penetration of Internet access devices in 2002, percent of households

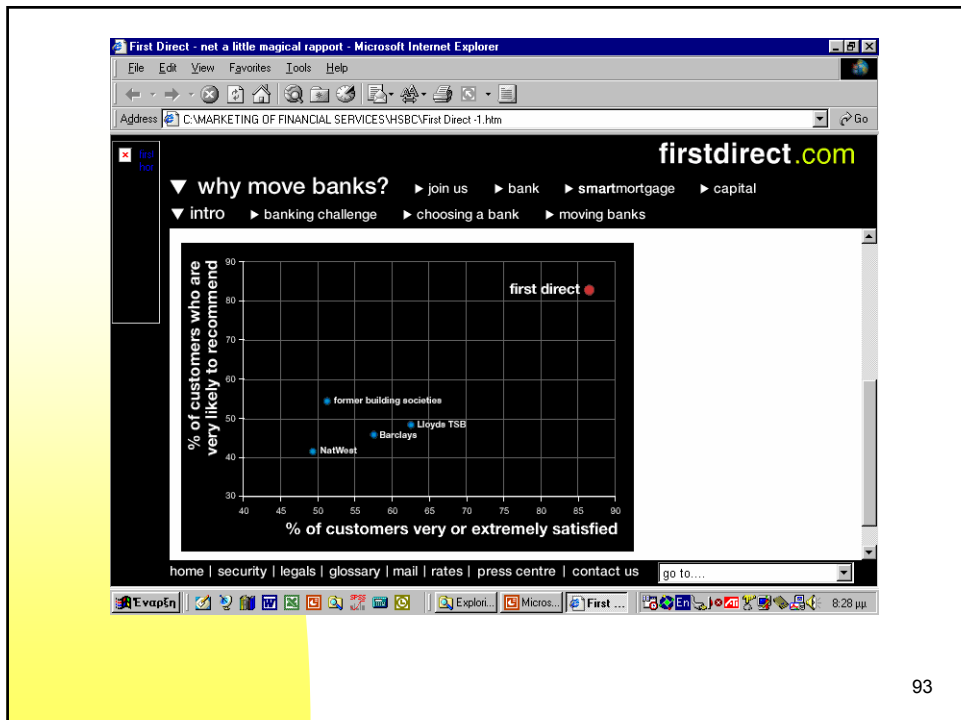


<sup>1</sup>Percent of adults with net-enabled mobile phones.  
Source: Paul Ragan Associates; Jupiter Communications; Forrester Research; McKinsey analysis

## Telebanking

Telebanking systems can be operated via one of the three main methods, which differ in terms of the amount of technology involved:

1. Person-to-person
2. Tone/speech-based
3. Screen-based



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- The latest generation of call centres products aim to achieve a ‘relationship building’ approach by, for example allowing banks to automatically identify their **most prized customers** when they call and give them preferential treatment, routing them to a specific human operator rather than the next available one or a computer voice.
- **Less prized customers** will first be filtered through an interactive voice response unit that asks them questions which they answer using a touch-tone telephone or voice. Low value operations, such as balance enquires can thus be routed to a computer. In that way, a bank will be able to differentiate between different customers and not use a human operator on low-value customers.

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# *Electronic purse/Smart cards*

## **Smart cards use a microchip:**

- can hold 100 times the data held on normal magnetic - stripe cards
- accesses & processes the data remotely
- more secure

Around 25 different electronic purse trials have been launched in Europe the last five years (Mondex, Proton, Geldkarte, Chipknip etc.)

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## **The penetration rate of smart cards is still low... WHY?**

*“I asked a woman in a drug store why she wasn’t using a Mondex card. She told me that she didn’t need it; she had real money and it worked just fine, thank you. She also said that she was not interested in becoming addicted to a form of money that she would actually have to pay to use”*

Source: Thomas P. Vartanian (2000), “The future of electronic payments: Roadblocks and emerging practices”, Fried, Frank, Harris, Shriver & Jacobson, USA.

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Smart cards were mistakenly positioned as a new product ...

In a **cash-less** economy

**WRONG !**  
approach

Smart cards must be positioned as a new product...

In a **less-cash** economy

Check: [www.hba.gr/meletes/](http://www.hba.gr/meletes/)

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## *Home banking*

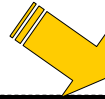
Although the technology needed to provide home banking has been available for years, yet the acceptance of home banking has been slow.

This is mainly attributed to the fact that personal computers in the home are only owned by a very small segment of the market, thus restricting home banking's widespread adoption.

Security is another consumer worry and an issue that has also restricted widespread adoption of home banking.

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KEY TO SUCCESS ...



... **MULTI-CHANNEL** strategy  
from the customer's perspective

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## Introduction

### ■ One Definition of Promotion

Promotion keeps the product in the minds of the customer and helps to stimulate demand for the product. Promotion involves ongoing advertising and publicity.

The ongoing activities of advertising, sales and public relations are often considered aspects of promotions.

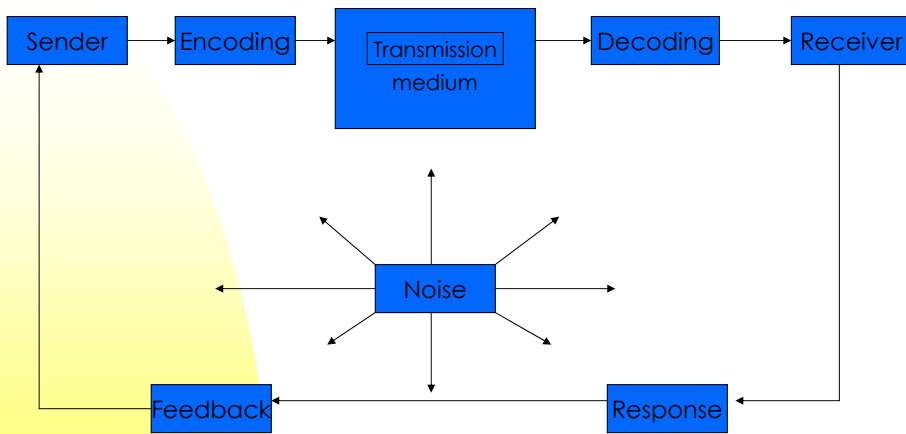
100

# Introduction

- promotional mix
  - advertising
  - sales promotion
  - personal selling
  - publicity and public relations
  - direct mail
  - direct response advertising
  - sponsorship

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## Elements in the communication process



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# Communication Objectives

Communication Objectives

Communication Tool

**Awareness**



**Interest**



**Preference**



Mass communication sources  
*Broadcast media (TV and radio)*  
*National or regional magazines and newspapers*

Mass communication sources  
*Same media as above but not necessarily the same message*

Advertising, publicity and PR, and personal sources  
*News story reports, comparative advertising and*  
*Word-of-mouth from friends and relatives*

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# Communication Objectives

Communication Objectives

Communication Tool



**Trial (First-time purchase)**



**Adoption (Purchase on a regular basis)**

Sales promotion and personal sources  
*Special offers, salespeople, relatives, friends*

Personal sources and, for reassurance, Mass communication  
*Salespeople, friends and relatives,*  
*Broadcast and print advertising*

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# Communication Message

## Appeals

### Tools

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# Appeals

- Rational appeals
  - Actual service
  - Its features
  - Quality
  - Values
  - Performance, etc.
- Moral appeals
  - Work on audiences' sense of what is right and proper (usually *n/a to financial services*)
- Emotional appeals
  - Positive (e.g. humour, love)
  - Negative (e.g. Guilt, shame, fear)

For example... 106

# Examples of appeals

## Financial service

## Type of appeal

Student account

Rational: service features  
(Sovereign Bank products)

Pension

Emotional: fear of impoverished old age (Eurobank ad - 70s, 80s, 90s)

Home loan

Emotional: humour (Eurobank Flexible home loans - "Babis" ad)

Custom-made private banking services

Rational: quality  
(UBS-"You and us" campaign)

Custom-made corporate banking services

Rational: performance  
(Deutsche Bank-"A passion to perform" campaign)

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# Effects on the promotion (1)

## Characteristic

## Implications

Intangibility

The greater the intangibility, the greater the need to create concreteness

Inseparability

The greater the inseparability, the greater the need to show participation of customers

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# Effects on the promotion (2)

## Characteristic

Heterogeneity

## Implications

The greater the heterogeneity, the greater the need to stress quality

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# Promotional Mix

**How** to say it ? →

Several methods used in **specific combination** with each other.

## ■ Promotional methods:

- ◆ **Advertising**
- ◆ **Sales promotion**
- ◆ **Personal selling**
- ◆ **Publicity and Public Relations**
- ◆ **Direct marketing**
  - ★ Direct mail
  - ★ Telemarketing
  - ★ Direct response advertising
- ◆ **Sponsorship**

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# Advertising (1)

- **Characteristic:** a paid Form of **non-personal** communication
- **Examples:** Television, Radio, Newspapers, outdoor, public transport, etc.
- **Uses:** **promoting** product and **organisation**, stimulating demand, reminding and reinforcing customers, reducing sales fluctuation,
- **Restriction:** **Financial Services Act** – Set of certain **legal conditions** on the advertising of financial services

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# Advertising (2)

- **Advantages**
  - ◆ **Cost-effective**
  - ◆ Allows repetition of message
  - ◆ Enhances **company's image**
  - ◆ Can add value to the product
- **Disadvantages**
  - ◆ Overall **cost** can be high
  - ◆ Rapid feedback is not usual
  - ◆ Measuring effect can be difficult

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# Personal selling (1)

- Characteristic: **personal communication** to inform and to persuade customers
- Examples: Sales **visits**, instore sales assistants, **consultations** with financial advisers
- Uses: generating sales, **interactive** – enabling a dialogue with customer, **feedback**, also useful for market research.

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# Personal selling (2)

- Advantages
  - ◆ **Specific communication** aimed at select target
  - ◆ **Immediate feedback**
  - ◆ More **persuasive** than advertising
- Disadvantages
  - ◆ Greater **cost** per head
  - ◆ Cannot reach large audiences effectively

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# Sales promotion (1)

- Characteristic: Offering an incentive to customers in order to **encourage purchase**
- Examples: Bonuses, loyalty cards, gifts etc.  
**Monetary/non-monetary incentives**
- Uses: Stimulating product **trial**, reminding customers, encouraging **switching**.
- Techniques: **'value-increasing', 'value-adding'**

OUR CURRENT ACCOUNT PAYS **20X MORE** INTEREST THAN MOST HIGH STREET BANKS 

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# Sales promotion (2)

- Advantages
  - ◆ Stimulates **short-term** demand
  - ◆ Can **remind customers** of old product
  - ◆ **Encourage trial** of new customers
- Disadvantages
  - ◆ Increases **price sensitivity** and reduces loyalty of customers
  - ◆ Can **devalue the brand** if not supported by other forms of promotion

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# Direct Marketing (1)

- Characteristic: **Direct mail, direct response advertising** and telemarketing.
- Examples: Contacts through **mail, telephone** and **internet**; direct leafleting.
- Uses: **Announcing** special sales, generating product orders, **creating brand awareness**, stimulating product adoption.

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# Direct Marketing (2)

- Advantages
  - ◆ Can be **personalised** and **customised**
  - ◆ Effectiveness can be measured
  - ◆ Provides **database of information**
- Disadvantages
  - ◆ Can be expensive
  - ◆ **Perception as junk mail** if not used properly

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# Publicity and PR

- Characteristic: **non-personal communication** in news-story form about financial institution/its services or products; **primarily informativ**.
- Examples: Magazines, radio, newspapers, television news story.
- Uses: Helping to maintain **positive public visibility**, creating **awareness** of the products, Enhancing **company's image**.

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# Sponsorship (1)



- Characteristic: **Financial or material support** of an event, activity, person, organisation or product.
- Examples: Events, equipments, buildings, ideas, commercial or charitable causes, television programmes.
- Uses: Promoting company **image**, creating **positive relationships** with the community.

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# Sponsorship (2)

## ■ Advantages

- ◆ Benefits of enhanced company
- ◆ Identifies with **specific targets**
- ◆ Improved **morale** and employee relations

## ■ Disadvantages

- ◆ Can **lack specificity**
- ◆ Effectiveness difficult to measure
- ◆ Can **miss out significant groups**