



NEW PROMOTION PRICE STRATEGIES ON THE BANKING SERVICES MARKET IN ROMANIA

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Abstract *The financial – banking institutions draw up price setting strategies for the purpose of reaching some objectives of the price policy such as: increasing or maintaining the market share or the intention to dominate the market under economical recession conditions. This paperwork presents six price setting strategies frequently used by the credit institutions on the financial – banking services market.*

Key words:

Marketing, price policy, price strategies, banking, banking market

JEL Codes:

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1. Introduction

At the level of a market economy all performed economical relations are evaluated and assessed based on prices. Prices, such as: interests, commissions, taxes, exchange rates, are governing the production of financial products, they dominate the distribution of various earnings – income, profits, which also derive from prices and dominate the banking services consumption.

In the financial – banking sector, the population, the entrepreneurs, the communities, at the time of the purchase they consider on the one hand their own consumption needs, production needs or other needs, and on the other hand the prices of the services established by the financial institutions.

Therefore the price functions like a connection bridge of the population and economical agents with all the environment factors and it constitutes an essential component of the marketing mix drawn up by all financial–banking institutions to sustain their interactions with the market.

The price represents “the form of economical measuring, of exchange evaluation, known since the appearance of the goods exchange”¹

In the past, the prices were formed following some intense negotiation processes between sellers and buyers.

At the end of 19th century, when the retail trade has known a powerful expansion, the big American companies introduced the concept of the unique price for all the buyers. This modern method of price forming quickly extended all over Europe.

Today, in the financial-banking field, the price shows various forms: interest, commissions, bank rate, exchange rate and others.

In the marketing mix, the price is on the one hand the main income creating element, and on the other hand, an instrument which can be easily modified in a relatively short period of time.

The price policy drawn up by a credit institution includes six important elements such as: setting the objectives based on demand, estimating the demand size, the costs level generated by production and consumption of financial-banking services, the competitors’ price analysis, establishing the price strategies and the final price level.

The internet appearance determined the passing from the fixed prices tendency to the variable ones. The new informatics technologies and applications allow the clients – population, economical agents and community – to compare online the prices of different financial-banking products. The clients put pressure on the institutions and the financial-banking services market is characterized today by the use of reductions in interests and commissions and by sales promotion.

¹Florescu, C., Malcomete, P., POP, N.A.I. (2004). Marketing, Dicționar Explicativ, Ed. Economică, București, 2004, p.553, op. cit.

2. Price setting strategies for the financial-banking services

Generally, the financial-banking institutions are using six price setting strategies of a product, as follows:

A. *The strategy „cost plus profit”.* The price of the credit card „Bun de plată” from BCR (Romanian Commercial Bank) includes fixed and variable costs with the production of the electronic card, promotion expenses, a profit margin, etc. The recovery of the expenses made by the bank as well as the earnings are covered from the costs levied with the advancement of the credit card operations, meaning from the card initial issuing commissions, card renewal commissions, additional cards issuing commissions for the users authorized by the account holder, PIN code regenerating commissions, yearly card account maintenance commissions, the card account opening commissions, cash withdrawal commissions in the country and abroad, currency conversion commissions, stolen/lost card blocking commissions, the commissions levied for issuing the statement of account, the commissions for non-refunding on due date the minimum payment amount, the commissions for the purchase of goods and services from merchants, the card account closing commissions, or the card account funding commissions [www.bcr.ro];

B. *The strategy “taking the cream”* – the bank uses a high price for a new banking product, of a high quality, in order to “take the cream” of the demand and to maximize its profit. In the product growing stage, the institution will progressively reduce the interest and the commissions to stimulate the demand increase². For example, BCR launched in March 2013 a new credit, destined exclusively to houses purchases which are in the bank’s property. The mortgage loan was granted for a 30 year period, with an advance for minimum 15% of the house price. The bank accepts a wide range of incomes (salaries, pensions, rents, dividends, incomes from abroad, from independent activities or any other income sources proven by documents) gained also by the borrower, as well as by up to 3 co-borrowers which could participate in the credit and offered flexible refunding methods without the presence at the bank being needed (ATM BCR or the Operations Service through alternative BCR channels). For the mortgage loan, which represents 65% of the house value, the bank requires a variable interest of 7.41%/year (ROBOR 6 months + 1.5%), EAI (effective annual interest) of 7.67% and zero commissions. On January 30th, 2014, the same banking service “House and credit from BCR” was distributed to the bank’s clients with a standard interest of 4.49%/year (ROBOR 6

months+1.5%), EAI of 4.58% and a unique commission of 90 ron for the performance of the additional services requested by the borrower. During a calendar year, the standard interest of the mortgage loan decreased with 40% in 2014 compared to the previous year due to the current market conditions but also due to the passing of the product into a new stage of the life cycle – growing stage, after the launching on the market stage [www.bcr.ro];

C. *The price setting strategy depending on the competition*, the price of the banking service is almost similar to the one of the competition and it allows the covering of all the expenses as well as ensuring the profit.

a) BCR offers within the program „First House”, a credit in total value of 160.000 ron, over a period of maximum 30 years, with a variable interest of 4.44%/year (ROBOR 3M+2%), EAI of 4.79%, requiring an evaluation cost of 300.01 ron + VAT and an administration commission owed to FNGCIMM (Credit Guaranteeing National Fund for Small and Medium Enterprises) of 0.49% yearly [www.bcr.ro].

b) For the same program „First House”, BRD offers credits at an average value of 145 000 ron, over a period of 30 years, with a nominal standard interest of 4.94%/year (ROBOR 3M+2.5%), EAI of 5.27%, evaluation cost of 50 euro, administration commission owed to FNGCIMM of 0.49% yearly, unique analysis commission for obtaining the guarantee promise from FNGCIMM of 0.15% of the crediting promise [www.brd.ro].

D. *The price setting strategy depending on the market* – the price of a banking product can be similar to the price of a product already existing on the market, but there is a risk that the expenses with its production are not covered³. For example, the service “Entrepreneur Account” provided by BCR offers multiple banking advantages – money and time saving by exempting from payment some commissions related to banking operations, by reductions for the transfers performed through the internet and mobile banking services, and non-banking advantages such as free subscription at the use of the platform www.clubantreprenori.ro and applying some reduced prices at the purchase of the electronic signature package. The costs related to the production and delivery of the service “BCR Entrepreneur Account” will be recovered in time, during the execution of the contracts with the clients.

E. *Setting the price depending on the value.* The institutions give a special care to the manner in which the clients perceive the value of the financial-banking

² Odobescu, E. (2007). Marketingul bancar modern, Ed. Sigma, București, p. 86.

³ Cetină, I., Brandabur, R., Constantinescu, M. (2006). Marketingul serviciilor, Ed. Uranus, p. 76.

products⁴. For example, BCR created the concept “ONE BCR”, a service dedicated exclusively to the physical person clients – liberal professions and persons with local notoriety, as the slogan says “You are our number one client, ONE”. By ONE BCR the clients benefit from the full bank’s attention, through a dedicated Personal Banker, by zones specially designed in BCR branches, by personalized services. “ONE BCR” includes saving-investment services, refinancing credits, personal needs credits, mortgage loans, MasterCard Gold card, life insurance services, house insurance services [www.bcr.ro];

F. *Setting the price for penetration.* The financial-banking institutions are using low prices for certain banking services in order to quickly attract certain segments of consumers for the purpose of increasing the income and the market share⁵. For example, BCR has put at the disposal of the physical person clients the package “Xteen BCR”. The service addresses the two target segments: children with the age between 0-14 years and youth with the age between 14-19 years. The products available in the package are: current account, debit card, SMS/e-mail alerts. The price of the package is zero ron, therefore the bank doesn’t require interests and commissions. The offered advantages are: recharging the phone cards directly with the card at BCR’s ATM, making payments with Xteen card, using the mobile banking services, individual administration of different sums, allowances, pocket money, scholarships etc., information provided to the parents about the inputs/outputs of the account availabilities through SMS.

3. Conclusions

The financial-banking institutions apply more price setting strategies depending on the demand level and the price level practiced by the competition.

In the modern financial-banking marketing, the price found under different forms: interests, commissions, bank rates, exchange rates etc., represents the only income generating element of the marketing mix for the credit institution.

In the price policies, the financial-banking institutions need to set their objectives, to estimate the demand curve, to evaluate the variation of the costs at the production level and banking services consumption, to constantly analyze the costs, the prices and the offers of the competitors, to choose the price setting methods and to determine the level of the final prices.

The credit institutions apply multiple price setting strategies, out of the most important one we mention: the strategy “cost plus profit”, the strategy of “taking the cream”, the price setting strategy depending on the competition, the price setting strategy depending on the market, the price setting strategy depending on the value and the price setting strategy to penetrate the market.

These must have the capacity of operating price modifications depending on the legislative, economical and technological changes appearing on the market and depending on the evolutions of the competitors’ prices and offers, therefore they must draw up and use conjunctural reaction plans.

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⁴ Dumitrescu, L. (1998). Marketingul serviciilor, Ed. Imago, Sibiu, p.23

⁵ Ionescu, L. (2001). Elemente de marketing bancar, Institutul Bancar Roman, București, p.34.