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THE STRATEGIC POSITIONING OF THE FINANCIAL BANKING COMPANIES – KEY FACTOR FOR ACHIEVING COMPETITIVE ADVANTAGES

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Abstract *Through positioning strategy, the financial and banking organization aims to influence the perception of target audience on its offer by identifying ways of differentiation, which constitute the competitive advantage within the domain of activity which is also relevant to consumers, informing them effectively. The most important differentiation strategies that can be used by banks or insurance companies are based on operational excellence, strong relationship with our customers and the superiority of product supply and services. In the attempt to classify positioning strategies developed by banks, at least four strategic options may be considered: institutional positioning, positioning the range of products and services, positioning through the distribution system and bank staff and positioning according to identified market segment or segments. Other ways of positioning may result in studying the criteria considered in the selection of banking financial institutions by the customer.*

Key words:

Positioning strategies, banks, competitive advantages, selection criteria and customer's perceptual map.

1. Introduction

Positioning is the process of establishing and maintaining a place and a distinct image in the market for the banking and financial organization as a whole or for the products and services it offers, so that current and potential customers that are part of the targeted segment, be able to distinguish this company with its main competitors on the basis of actual size. The position of a product/service on the market depends on how that product is defined by consumers on important attributes in other words, the place the product occupies in the design of the clients in relation to the [1]competitors' products. Through the strategy of positioning the bank or insurance company will try to influence the perception of target audience related to the offer by identifying ways of differentiation, which constitute the competitive advantages within the domain of activity which is also relevant to consumers, informing them effectively. An important way to build a strong competitive position can be achieved through product differentiation and financial services, which creates a clear image of the bank and its offer in the minds of consumers. Difficulties in maintaining the position acquired can be reduced by raising barriers to competitors' action by various methods, an example consisting in developing a reputation of the bank, further to the following steps:[2]

- Ensure customers' satisfaction by delivering products/services which are for the benefit of individual customers and organizational customers;
- Use information technology to create new services (home banking, private banking, etc.);
- Recruitment, motivation and loyalty of competent personnel to maintain lasting relationships with clients based on trust, respect and high ethical standards.

Summarizing the above statements in a period based on intense competition, stimulated by the rapid development of technology, the need for differentiation from competitors offers and maintains the position in the market, requires from the part of the banking financial institution a strong orientation towards customers by offering superior values based on their needs and expectations.

According to experts Urban and Star, an effective positioning strategy should answer the following questions: What are the characteristics or attributes used by consumers in evaluating the marketing actions of the competitors and how they react to different marketing programs? What is the relative importance of these attributes in the purchasing decision? How financial- banking institution can be assessed in relation to each dimension considered important by consumers, compared to its main competitors? What are the sources of information considered by consumers in the selection of the bank?

The analysis of the market structure in which the banking and financial organization operates is useful to identify and describe opportunities that can be capitalized on the internal potential of the company in order to differentiate and build competitive advantages. The most important *differentiation strategies* that can be used by banks or insurance companies are based on operational excellence, strong relationship with our customers and superior offer of products and services.[3]

- *operational excellence* lies in operationalizing more efficiently the processes, compared to competitors;
- *close relationship with clients* is based on the detailed knowledge of the requirements of each type of client's organization portfolio and the ability to respond rapidly to the specific requirements and changes in their behaviour;
- *superiority supply of products and services,* involves overcoming the performance of the offers of direct competitors;

To be eloquent, a difference must meet a number of requirements:[4]

- be *important*. The difference provides a welcome advantage appreciated by a significant number of consumers;
- be *distinctive*. It should not be promoted as an asset by another competitor;
- be *superior* to other ways of achieving competitive advantages;
- be *limited to competitors*, meaning it cannot be copied easily;
- be *accessible*, so that the buyer be able to afford the price difference;
- be *profitable*, providing the organization substantial long-term profit.

On the domestic market, according to the survey results on the evolution of the Banking system of Romania, conducted in 2003 by the National Bank of Romania, both at present and in the medium term, the most important competitive advantages are considered the *management* and the *qualified staff.* In addition, the survey participants consider that in the next five years, *technology* will have an important role in banking competition.

In the attempt to classify the *positioning strategies developed by banks* at least *four strategic options* may be considered[5]: institutional positioning, positioning of the range of products and services, positioning through the distribution system and the banking staff ranking them depending on the segment/market segments identified.

Institutional positioning

It is developed in terms of the scope and purpose of the desired business operations. In this regard , a bank will have to decide whether to operate within a local geographical area, a national , international or, a regional one, even global (there is the possibility of selecting multiple options).

Positioning of the range of products and services involves an approach to work positioning, directly related to the target market and the supply- traded. The decisions to be taken by the management of the banking-financial institution will consider offering specific products and services to the retail banking market (addressed to individual consumers or individuals) or to the corporate banking market (market-orientation enterprise business, consisting of organizational clients or legal persons). Also, in light of the nature of products or services, the bank can decide the complete satisfaction of needs of a particular segment of customers (specific products for specific market segments) or to create an offer that meets only some of their financial needs; for example by focusing only on the supply of bank credit products or just investment and savings products.

Positioning through the distribution system and the bank staff

The distribution of financial and banking organization consists of a mix of human resources, local branches and equipment. Developments in technology and information systems have allowed banks and other financial institutions and also non-banking to have an increased access to markets. The deployment of ATMs (Automated Teller Machines) and EFTPOS (Electronic Funds Transfer at Point of Sale) home banking terminals, etc. generated multiple opportunities for banks to offer customers quick and efficient service 24 hours of 24. However, human skills must be constantly developed in order to gain new competitive advantages beside technology and to predict trends and new opportunities arising in the business sector. However, the banking financial institutions are designing different distribution systems according to their own development objectives and targeted market segments. For example, a bank's corporate customers will need all information technology facilities, while small businesses will be better served by distribution branches. Similarly, some individuals may continue to prefer direct contact with the staff of the subsidiaries, and another group will want to conduct transactions via ATMS. Realizing a combination of staff and technology, there are *four strategic positioning versions, depending on the distribution system:*

a. High technology - High investment in staff. The banks which build their competitive position in high technology are often market leaders and pioneers in the development and implementation of new systems. These are global banks and multinational, having a large number of subsidiaries and focusing on deep penetration of corporate banking market by offering a full package of financial products and services and carrying out specific efforts for the creation, maintenance and development of high quality standards used for customer loyalty. Developing staff skills is seen as equally important as the incorporation of new technologies;

b. High technology - Low investment in staff. This positioning strategy is pursued by international banks/ multinationals which are followers of the leader in terms of technology, but which attempt to minimize personal investments in products and branches and maximize technology investments. The target audience consists of corporate clients who are looking for the best technological innovations that provide significant time facilities. An advantage of the employment of such a competitive position is the ability of the bank to translate the best technological innovations to key target markets, at a low price.

c. Low investment in technology - high personal investment. In general, national or regional banks oriented towards the retail banking market consider that most of the services provided to individual customers require, as a basic element, the existence of a direct contact between the client and the staff organization, contact that will be difficult to be achieved if the focus is on technology. These institutions invest primarily in improving the skills and motivation of employees, using a range of technologies for basic services (transactions and saving activities), but in a way this allows minimizing costs. The focus is on sales force effectiveness.

d. Low investment in technology - Low investment in staff. An alternative position for local or regional banks of small size (which often lack sufficient internal potential to compete with the big banks) is to offer a small range of products and simple services to specific customers. Examples of such financial products may include: arranging mortgages loans for improving real estates, consumer loans of low value, simple services of saving and investment etc.

Positioning based on the segment/market segments identified. On an intensely competitive market it is very difficult, if not impossible, to provide a full range of products to satisfy the needs of all consumers. It is for this reason that many financial institutions carry out a selection of a small number of segments identified in the process of market segmentation, subsequently focusing efforts and all available resources in an attempt to provide those benefits and superior values, compared to other competitors in the industry. In a broad sense, the organizations acting on the retail market or corporate banking have three strategic options, related to the identified segments, as a result of market structuring. They can try to become *financial supermarkets, suppliers of services* at *low cost* or *experts* in the sense of concentration on a niche market.

Another interesting type of positioning strategies can be based on the experience of the big banks in England:[6]

- *Positioning based on price or quality*. Lloydis has selected its competitive position on a rich market with products and services of high quality;
- *Positioning according to a competitor.* Halifax is positioned as one of the largest and most accessible investment firm;
- *Positioning according to the characteristics of the products.* NatWest promotes the immediate accessibility of its services of trades with shares;
- *Positioning according to user groups.* Some banks and insurance companies will display products in order to attract people feminine segment, taking into account economic and social changes of the last decade.

Other ways of positioning may result, as being based on the research attributes considered important by the consumers, on a specific offer on the market or in a brief presentation, by studying *the criteria taken into consideration,* by the customers, *within the selection of a banking- financial institution.*

This goal was the basis of numerous surveys conducted after 1970s, in practice and in the financial and banking literature. In what follows, I will make a brief presentation of the most significant of them.

According to a study by the researchers Gupta and Torkzadeh in Winnipeg, Canada, on the importance of services and the level of performance offered by a financial institution in its selection process by the consumers, it was shown that the most important factors are related to: careful management of customer accounts, rate of paid interest, courtesy and politeness of the staff and the procedures for transactions. Similarly, studies by Laroche in Montreal, Canada (1986) found that the speed of service and aspects of the competence and friendliness of the bank personnel are factors appreciated in a high proportion by the individual consumers. More recent studies have indicated that the location of branches close to consumers is essential in choosing the bank. On the US market a research conducted by Javalgi[7] in 1989 showed that financial factors such security funds, interest on savings accounts, the maximum amount a bank loan represent the main criteria in the selection made by the consumers. According to a research conducted by Holstius and Kaynak (1995), consumers in Finland appreciate the banks responsiveness, their speed and efficiency, reduced fees, the staff courtesy and their confidentiality. The researcher, Mylonakis, conducted similar research in Greece (1995)[8] the results being similar to those on other developed markets due to preference for high quality and personalization of services and technologies.

On the Corporate banking market in Sweden, Zineldin identifies five key factors considered by organizational customers in the selection of a financial institution: trust and confidentiality (in 81% of cases), price competitiveness on loans and other services (66%), flexibility and adaptability services to specific needs (43%), the possibility of contacting the makers of the bank (43%), speed of decision and transaction processing (36%). The same author identifies as critical factors in choosing the bank on the retail banking market, as follows: the quality of service, the availability of credit, the price competitiveness, the distribution system, the promotion and reputation of the bank[9].

An important way of reflecting the financial-banking organizations positioning for consumers is performed by using *perception maps*. These maps are using multidimensional scaling perceptions and consumer preferences, which depicts the psychological distance between products and segments , based on several dimensions[10] or criteria such as those described above. According to a study conducted by Daedalus Consulting on the Romanian market in 2005, the most rated banks in terms of cards are Raiffeisen, BCR and BRD; for deposits in RON, BCR holds almost half of the market; for personal loans best reviews were received by BRD, which is leading also for the criteria related to consumer confidence; this followed at a short distance by BCR, Raiffeisen Bank and BCIT.

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