



**SILESIA
UNIVERSITY**

SCHOOL OF BUSINESS
ADMINISTRATION IN KARVINA

THE ROLE OF MARKETING IN FINANCIAL SERVICES

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MARKETING OF FINANCIAL SERVICES/PEMNAMAF

OUTLINE OF THE LECTURE

1. Financial markets and marketing
2. Financial services marketing
3. Selected participants in the financial market
4. Financial arbitrator
5. Financial literacy



1. FINANCIAL MARKETS AND MARKETING

- **MARKET** - a collection of current and potential buyers of certain goods. (Kotler)
- **FINANCIAL SERVICES MARKET** - a system of institutions and instruments, ensuring the movement of money and capital (offered in the form of securities) in all its forms among different economic actors; based on supply and demand.
- Effective functioning of financial markets is crucial for economic growth and stability, for example during the economic crisis.



SPECIFICS OF FINANCIAL MARKET IN THE CZECH REPUBLIC

- Strong dominance of banks.
- Medium-sized banks constantly enhance their activity and represent one of the driving forces in the area of market innovations.
- Retail banking is quite dynamic segment of the financial market.
- The financial sector in the country is supervised and regulated by the Czech National Bank (ČNB).



MARKETING IN FINANCIAL MARKET

- **MARKETING** is a social control process by which individuals and groups obtain what they need and want through creating, supply and exchange of products and values with others. (Kotler)
- **FINANCIAL MARKETING** - a human activity that uses exchange processes aimed at satisfying human wants and needs in the financial services area. And all this while respecting the characteristics of the financial sector as a whole, as well as the specific features of individual financial subjects.



SPECIFICS OF FINANCIAL SECTOR AND MARKETING

- Typical (predominating) business object ⇒ money.
- A very wide spectrum of clients.
- The specific distribution points ⇒ **IT use.**
- Dependence on macroeconomic developments – COVID-19!
- Communication with the public (CSR) ⇒ stability is important, trustworthiness and security of the financial institution.
- Cases of negative media coverage.
- The need to address potential clients with respect to the way they make decisions ⇒ **customization.**



2. FINANCIAL SERVICES MARKETING

- **SERVICE** is any activity or benefit that one party can offer to another party. Services are usually intangible and are not connected with property. Production of services may or may not be associated with the tangible product.
- **FINANCIAL SERVICE** is any activity or benefit associated with the finances (current account, credit card, mortgage, life insurance, savings, ...)



FINANCIAL SERVICES CHARACTERISTICS

<ul style="list-style-type: none">☑ Intangibility☑ Inseparability☑ Variability☑ Perishability☑ No possibility to own	SERVICE	FINANCIAL SERVICE
<ul style="list-style-type: none">● Responsibility● Pre- or post-consumption● Duration of contract	X	

MARKETING MIX OF FINANCIAL SERVICES

Product	Marketing mix „4P“	Marketing mix „7P“
Price		
Place		
Promotion		
People		
Physical evidence		
Process		

MARKETING MIX 4P? X 4C?

4P	4C
SELLER ⇒ CUSTOMER	CUSTOMER ⇒ SELLER
P RODUCT	C USTOMER VALUE
P RISE	C OST TO THE CUSTOMER
P LACE	C ONVENIENCE
P PROMOTION	C OMMUNICATION

CURRENT CUSTOMER SPECIFICS

- Requirements for individual approach.
- Focus on experience and emotions.
- Time importance.
- Less loyal.
- Attitude change to debt.
- Higher demands on financial services.
- Ready to use IT technology.



CURRENT FINANCIAL INSTITUTION SPECIFICS

- Activities in customer retention.
- Higher use of market segmentation.
- New forms of traditional branches.
- Low cost banks and banks without branches.
- The multichannel communications.
- Focusing on long-term and mutually beneficial relationship management (CRM).
- The use of customer databases.
- The use of marketing tools (Cross Selling, marketing communication, ...).
- Activities within the CSR (financial literacy projects, ...).
- Using IT (business process automation, the concept of a paperless bank).
- Dynamic changes in the field of payment cards.
- Significant role of mobile phones and social networks.
- Greater attention to safety and protection against fraud in financial transactions.
- Marketing research in financial services (mystery mailing, mystery calling, mystery shopping,).



3. SELECTED PARTICIPANTS IN THE CZECH FINANCIAL MARKET

- Financial institutions offer their services in two basic types of market:
 - **B2B** ⇒ corporate banking
 - **B2C** ⇒ retail banking
- **Market of bank services**
- **Market of insurance services**
- **Market of building savings banks**



MARKET OF BANK SERVICES



- *Act no. 21/1992 Coll., About Banks*
 - *Act no. 6/1993 Coll., About ČNB*
 - *Act no. 229/2002 Coll., About financial arbitrator*
 - *Act no. 634/1992 Coll., About consumer protection*
 - *Act no. 89/2012 Coll., Civil Code*
 - *Act no. 284/2009 Coll., About Payments*
 - *And others...*
-
- Czech Banking Association (www.czech-ba.cz) since 1992, a voluntary association of subjects, doing business in finance and closely allied areas (currently full membership cca 99 % of the banking sector), issued a code of ethics, CBA promotes the interests of its members in communication with the government and the public, harmonization of EU banking legislation, prevention of financial crime and financial education activities.
Code clients mobility!

MARKET OF INSURANCE SERVICES



- *Act no. 277/2009 Coll., About Insurance*
- *Act no. 38/2004 Coll., About insurance intermediaries and independent loss adjusters*
- *Act no. 89/2012 Coll., Civil Code*
- *Act no. 37/2004 Coll., About insurance policies*
- *And others ...*



- **Insurance** = service which means security of particular entity from the effects of exposure to risk.
- **CAP** (www.cap.cz) since 1994 interest group of commercial insurers, whose task is to safeguard the interests of clients, insurance companies and the promotion of mutual cooperation. Code of ethics in insurance, the fight against insurance fraud!

MARKET OF INSURANCE SERVICES

INSURANCE DEVELOPMENT IN THE CZECH REPUBLIC

YEAR	LIFE INSURANCE	NON-LIFE INSURANCE
2010		
2012		
2014		
2016		
2018		
2020		
2022		

MARKET OF BUILDING SAVINGS BANKS

- *Act no. 96/1993 Coll. About building savings and state support for building savings.*
- *Act no. 21/1992 Coll. About banks*
- *And others*

- **The Association of Czech Building savings banks** (www.acss.cz) - the aim is to promote the common interests of subjects operating in the country.



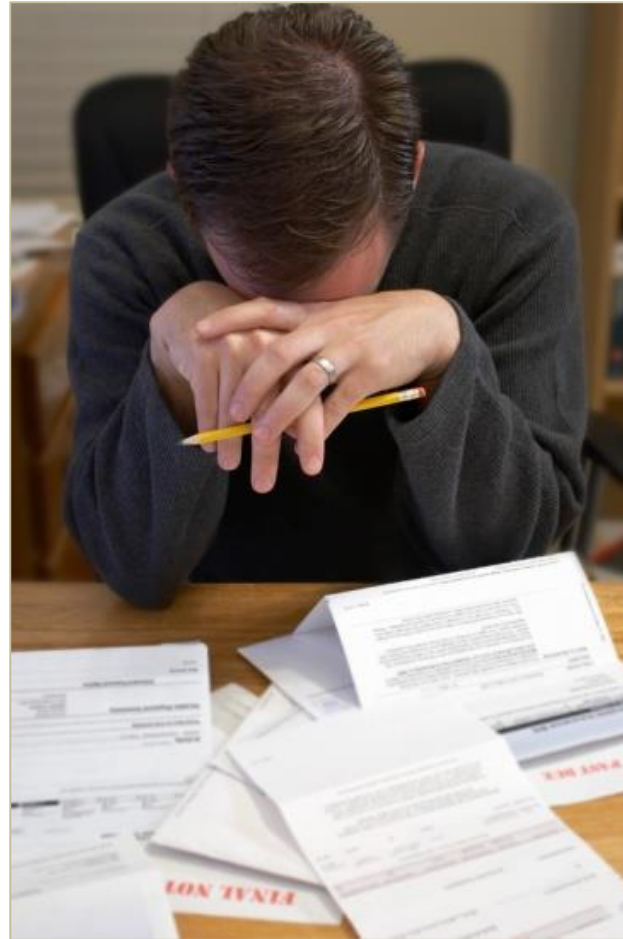
4. FINANCIAL ARBITRATOR

- Since 1. 1. 2003 (*Act no. 229/2002 Coll., About financial arbitrator*) + *other legislative norms*.
- Extrajudicial body for resolving disputes between customers and financial institutions, exclusively on the proposal of the customer (consumer).
- Quick, free and effective handling of disputes between citizens and selected financial institutions.



TYPES OF SOLVED DISPUTES

- Payment services (issuance of cash from ATM, misuse of stolen credit cards, illegally charged a penalty of the loan, ...).
- Credits, loans.
- Investment.
- Exchange activity.
- Life insurance.
- Building savings.
- ...



5. FINANCIAL LITERACY

- **Financial literacy is defined as „a set of knowledge, skills and abilities of a citizens which are required to secure financially themselves and their families in contemporary society and to be active in the market of financial products and services.**
- Financially literate citizen is familiar with the issue of money and prices and is able to manage personal/family budget responsibly, including the management of financial assets and financial liabilities with respect to changing life situations.
- The level of financial illiteracy in the Czech Republic is **56 – 65 %**.
- The existence of many projects to increase the financial literacy in the Czech Republic.



THE PARTS OF FINANCIAL LITERACY

- **Cash literacy** - the competencies necessary to manage cash and non-cash transactions and then management of tools for this purpose (current account, payment instruments, etc.).
- **Monetary literacy** - the competencies necessary for price mechanisms and inflation understanding.
- **Budgetary literacy** - necessary competencies to manage personal/family budget and it also includes the ability to handle different situations in life from a financial perspective.
- **Legal literacy**



5 ASPECTS OF FINANCIAL LITERACY

- To respect a personal budget within some period of time.
- To know what you pay for.
- To plan own spending.
- To be able to choose among financial products.
- To know current information about finance and economics.

- **The main problems of insolvent clients:** they do not take into account their income and expenses, they have no cash reserves, they read poorly the contracts and they settle contracts with unfavourable conditions, they repay loans with other loans = debt spiral, ...