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**METHODICAL APPROACHES TO THE CHOICE OF MARKETING  
STRATEGY FOR A MODERN UKRAINIAN BANK**

**МЕТОДИЧНІ ПІДХОДИ ДО ВИБОРУ СТРАТЕГІЇ  
МАРКЕТИНГУ СУЧАСНОГО УКРАЇНСЬКОГО БАНКУ**

*The article investigates methodological approaches to the choice of bank strategies in a competitive environment that is still increasing. The estimation of dynamic indicators performance of 20 Ukraine banks has been carried out. According to the results obtained, the strategies used by the banks from the analyzed sample have been determined. The recommendations for improvement of Ukraine banking have been given.*

**Keywords:** *bank, competition, strategy, integrated marketing, channel of marketing communications.*

*Стаття присвячена дослідженню методичних підходів вибору стратегій банку в умовах конкурентної боротьби, що посилюється. Проведено оцінку рівня динамічних показників 20 банків України. Згідно отриманих результатів визначено стратегії, що використовуються банками з аналізованої вибірки. Надано рекомендації щодо поліпшення діяльності українських банківських установ.*

**Ключові слова:** *банк, конкуренція, стратегія, комплексний маркетинг, канали маркетингових комунікацій.*

*Статья посвящена исследованию методических подходов выбора стратегии банка в условиях усиливающейся конкурентной борьбы. Проведено оценку уровня динамических показателей 20 банков Украины. Согласно полученным результатам определены стратегии, которые используют банки из анализируемой выборки. Предоставлены рекомендации по улучшению деятельности украинских банковских учреждений.*

**Ключевые слова:** *банк, конкуренция, стратегия, комплексный маркетинг, каналы маркетинговых коммуникаций.*

**Introduction.** At the contemporary stage of Ukraine economic development banking infrastructure which provides cash flows between business entities and create conditions for investment activities is of particular importance. Weaknesses in the banking system development negatively affect the financial performance of business units.

In the era of customization a scientific progress, a rapid development of information, technical and technological production opportunities outgrow the average consumer's needs, in particular, for banking products and services. Every competitive bank has such tasks as identifying its target market segment, rapid manufacturing and distribution of a wide range of services within a particular product group among different groups of customers. The main requirements of customization are the lack of consumers' dissatisfaction at large, flexible modification, identifying the specific needs of individual consumers, forecasting and developing of their needs. The above mentioned implies the introduction of marketing orientation, the use of tools for strategic marketing planning, the developing strategies with regard to conditions of macro environment, internal resources and capabilities.

**Analysis of recent research and publication.** In the approaches to developing marketing strategies in the scientific literature over the last decades there were trends to move the focus from financing and control (1950) to strategic forecasting (1960), development of strategic plans according to the specific

marketing environment (1970), combination of strategic thinking and management based on macro environment issues (1980-2000). Modern marketing approaches serve to achieve competitive advantages by developing strategies that are equally creative (i.e. allow to solve the problem by working out clear action plans) and realizable (i.e. meet the business units' opportunities; ensure coordination of activities and minimize risks).

The issues of determining the relationship “marketing environment of business entity–strategy–business performance” have been developed in the works of the leading overseas scientists, including A. Areo, G. Dess, D. Hambrick, Y. Lee, I. Martins, A. Miller and many others [1; 3; 4; 6; 8-10].

In addition, evaluation of various strategic aspects of banking institutions is especially important in Ukraine reality. That was noted in the works of such economists and scholars as D. Antoniuk, T. Vasilyeva, A. Haidun, N. Kosar, O. Romanenko, T. Shcherbina, E. Uholkov, T. Fedirko etc. [5; 10-12].

Recommendations in this area are of significant value. Their implementation will allow working out a set of measures aimed at developing strategic activities of modern banks, based on the study of economic conditions and customer requests.

**Setting objectives.** However, in terms of tough competition that facilitate the risks increase of economic activity, the issue of improving the performance of Ukrainian banks is important and at the same time difficult task. That requires the further investigation, as there is a constant need to define marketing strategies suitable for anti-crisis solutions. The article is to develop a methodical approach to the choice of the bank marketing strategy in terms of complicated and dynamic external environment.

**The main material research.** Since the success of the modern concept of the bank strategic planning depends, primarily, on clarification of its current strategy, in our opinion, it is advisable to use the characteristics of dynamic capabilities (market share, which the bank occupies, the bank's growth rate etc.) in comparison with the market development (banks concentration in the market, number of players, absolute values of banks' performance indicators in the country, average

rate of the market growth, etc.) as the basic approach to selection, development and evaluation of strategies.

We suggest carrying on a comparative analysis of the dynamic capabilities of a number of Ukrainian banks with the market development data using a four-figure indicator resulting from the following functional dependency [7, p.31-43].

$$\bar{S} = \{S_1, S_2, S_3; S_4\}, \quad (1)$$

Where  $S_1, S_2, S_3; S_4$  – functions of formal estimates of a production capacity, a financial capacity, a diversification of income, a competitive position of a particular bank. Terms for functions  $S(x)$  are defined as:

$$\begin{cases} S(x) = 1 \\ S(x) = 0 \end{cases}, \quad (2)$$

where  $S(x) = 1$  – provides regulatory/recommended values according to formal estimates of selected indicators, and  $S(x) = 0$  – failure to comply with regulatory/recommended values, according to formal estimates of selected indicators. The calculation results for the components of a four-figure indicator are given in the Tables 1, 2.

The author suggests that the capital adequacy (Ratio  $2 > 10\%$ ), the instant liquidity (Ratio  $4 > 20\%$ ) and the ratio of reserves for crediting to credit portfolio (RC/CP  $< 30\%$ ) ought to be referred to the system of indicators to estimate the production capacity of the bank. This selection of criteria is due to the fact that the development of banking institutions is provided, first of all, by establishing the balance between the availability of clients' temporary free funds and their successful placement in active operations. According to Table 1, only Pivdenniy and Finex banks adhere to the standard values. Failure of the rest of the banks to have the standard values is caused by internal problems in assets and liabilities management.

Furthermore, to assess the financial capabilities we selected such indicators as net interest margin (NIM  $> 3\%$ ), return on assets (ROA  $> 3\%$ ) and return on equity (ROE  $> 5\%$ ) as they characterize the bank's capabilities to finance interaction with customers.

Table 1

**Assessment of the dynamic indicators performance of the particular  
Ukrainian banks as of 01.01.2016**

Bank	Assessment of the bank's production capacity, %				Assessment of the bank's financial capacity, %			
	Ratio 2	Ratio 4	RC/CP	S <sub>1</sub> (x)	NIM	ROA	ROE	S <sub>2</sub> (x)
Oschadbank	4.61	14.25	66.61	0	3.70	-7.70	-167.2	0
UkrGasbank	10.33	9.55	56.86	0	1.75	0.62	6.05	0
Raiffeisen Bank Aval	12.23	24.01	118.94	0	7.74	-2.81	-22.96	0
PIREUS BANK	16.04	37.22	167.50	0	3.52	-15.29	-95.35	0
OTP Bank	7.78	4.78	92.14	0	8.04	-13.46	-172.9	0
Sberbank of Russia	4.38	5.50	32.14	0	5.88	-12.22	-279.0	0
Fidobank	17.71	3.87	26.74	0	-0.34	-12.86	-49.18	0
PRIVATBANK	10.38	13.69	15.70	0	1.59	0.08	0.79	0
Bank Pivdennyi	10.27	22.76	10.48	1	2.17	0.27	2.60	0
PUMB	9.74	5.69	40.17	0	5.70	-4.66	-47.79	0
BANK VOSTOK	6.47	10,13	4.29	0	3.92	0.75	11.64	0
Lviv	8.00	18,19	12.79	0	2.82	-2.88	-36.01	0
OKSY BANK	26.15	17.43	3.57	0	3.75	0.02	0.06	0
Industrialbank	29.81	13.69	8.03	0	6.08	0.81	2.73	0
FINBANK	22.71	2.38	24.31	0	5.84	-3.08	-13.55	0
MetaBank	23,03	10.25	12.88	0	5.15	1.17	5.09	0
Classicbank	70.58	3.61	44.20	0	19,23	0.02	0.03	0
Fineksbank	39.10	49.19	2.54	1	6.22	1.01	2.59	0
VERNUM BANK	31.65	9.35	1.45	0	7.79	-12.68	-40.07	0
Artembank	14.57	9,33	4.63	0	6.43	-12.61	-86.58	0

*Source: calculated by the author on the basis of data from [2]*

Among the sample of banks Credit Dnipro has the highest results of return on assets and capital. 11 banks are unprofitable. Sberbank of Russia has the worst results.

As it follows from the assessment methodology of the income diversification, according to the analysis of major income groups shares, there are the interest income share (IIS>30%), the commission income share (CIS>10%) and trade returns share (TRS<10%). As of January 1<sup>st</sup>, 2016 such banks as Raiffeisen Bank Aval and OKSY BANK have the best diversified revenues. With regards to the reduced demand for credit and deposit services, banks should pay attention to traditional services, for example, to cash banking services.

Assessment of the environment impact on banking was conducted using the indicators for the deposit portfolio growth rate (DPGR>100%), the overall market growth rate (OMGR>100%) and the credit portfolio growth rate (CPGR>100%) as sources of income. Indicators of assets and deposits growth rate allow us to estimate the bank's ability to occupy a leading position in the market. If the banks' above mentioned indicators exceed the ones of the market, the banks have chosen the correct strategy. And conversely, failure to achieve the market indicators will require from the banks to find new ways of work on the market and to solve internal problems (Table 2).

Table 2

**Comparative assessment of the dynamic capabilities of a number of Ukrainian banks as of 01.01.2016**

Bank	Assessment of the bank's income diversification, %				Assessment of the bank's competitive position, %		
	IIS	CIS	TRS	S <sub>4</sub> (x)	DPGR	CPGR	S <sub>4</sub> (x)
Oschadbank	64.51	17.90	16,26	0	59.26	94.83	0
UkrGasbank	29.70	8.97	55.36	0	44.96	139.80	0
Raiffeisen Bank Aval	59.95	28.40	6,88	1	73.44	107.23	0
PIREUS BANK	47.97	19.32	37.12	0	89.72	1,913.04	0
OTP Bank	338.90	119.11	-366.6	0	76.42	6.42	0
Sberbank of Russia	86.04	10.12	2.63	0	83.97	35.55	0
Fidobank	-13.83	34.66	73.15	0	159.25	1,758.26	1
PRIVATBANK	26.52	27.25	44.33	0	79.35	2.42	0
Bank Pivdennyi	38.82	26.88	-2.26	0	70.15	1,671.55	0
PUMB	49.43	20.94	27.90	0	88.88	46.85	0
BANK VOSTOK	53.03	18.45	25.01	0	69.16	141.73	0
Lviv	58.68	44.38	-18.42	0	78.28	35.82	0
OKSY BANK	65.29	23.39	5.66	1	97.87	232.00	0
Industrialbank	76.19	8,88	6.61	0	86.29	21.17	0
FINBANK	17.65	0.48	-1.60	0	480.47	140.06	1
MetaBank	43.45	35.82	-3.30	0	109.95	184.78	1
Classicbank	97.66	19.06	-16.75	0	946.15	179.08	1
Fineksbank	40.88	20.05	39.04	0	23.33	311.04	0
VERNUM BANK	64.94	22.86	12.27	0	104.97	739.58	1
Artembank	48.75	39.28	12.57	0	87.79	84.80	0

Source: calculated by the author on the basis of data from [2]

The resulting estimates indicate that the majority of the banks, except for FINABANK, Metabank, Classicbank and VERNUM BANK, are characterized by a reduction in the credit and deposit portfolio. So the market capacity is reduced. In particular, the overall market assets growth rate for Ukraine banking services in 2016 compared to 2015 is -4.9%. Therefore, in accordance with our research, marketing strategies for the banks that have been selected for the study can be characterized as the survival and stabilization strategies (Table 3).

Table 3

**Compliance of marketing strategies with four-component value index**

Types of strategies	The value of an integrated four-component index $\bar{S}(S_1; S_2; S_3; S_4)$	Banks that are recommended the appropriate strategy
<b>Survival Strategies</b> (protective strategy used in terms of deep crisis activity)	(0; 0; 0; 0)	UkrGasbank, Raiffeisen Bank Aval, Sberbank, BANK VOSTOK, Finbank, Classicbank, Artem-Bank
<b>Stabilization Strategies</b> (used under conditions of instability in sales volumes and revenues)	(1,0,0,0), (0,1,0,0), (0,0,1,0), (0,0,0,1)	Oschadbank, PIREUS BANK, OTP Bank, Fidobank, PRIVATBANK, Bank Pivdenniy, PUMB, Lviv, OKSY Bank, Industrialbank, Metabank, Fineksbank, VERNUM BANK

*Source: composed by the author on the basis of data from [2; 7]*

**Conclusions and prospects for the further research.** The results of study provide the following conclusions.

1. In the current economic conditions the choice of strategy for promotion of banking products and services depends on many factors of internal and external environment. A strategy should take into account the resources and conditions (real and potential) that may be involved in the activities if necessary. Strategic marketing allows the use of available bank's resources effectively and in a balanced way, considering the formation of the new market environment. The promotion of products and services in the market also depends on its specifics and peculiarities.

Thus, the competitive environment of the banking market is characterized by a low level of concentration in all segments of the banking market (HHI<0.1). As

of January 1<sup>st</sup>, 2016 the ten largest banks in Ukraine covered 71.2% [2]. Lind indicator values for the two and three largest banks (166.18 and 163.16, respectively) indicate the presence of tight oligopoly. The structure of the banking market is characterized by the dominance of a small number of competing banks that produce a significant share of products and services. And the emergence of new market players has become more difficult.

2. In our view, application of survival and stabilization strategies is inappropriate, but characteristic for the banking sector. The biggest interest should arouse the strategy of qualitative growth, since improvement of production quality and customer service can increase profits, sales and market shares.

3. Considering the high level of competition in the banking market of Ukraine, we recommend that the banks should develop the integrated marketing strategy. The main principles of its implementation are the following: *the use of the most marketing tools and the number of channels to attract customers, regular testing of the chosen set of tools and channels, regular analysis and total presence (total distribution).*

4. Small and medium banks, such as Artem-bank, Classicbank, Bank VOSTOK, in conditions of communication environment change, constant market segmentation, information and computer technology development, can take a stable position only through the transformation of marketing strategy to the Internet space coverage. The recommended tools to implement the integrated marketing strategy include the following: *customer attraction* (advertising, SEO, visitor publications in resources with target audience, answers on forums etc.), *creating of trust* (cases, portfolios, marketing kit etc.), *sales* (test drive, sampling, commercial offers, guarantees, customers' reviews, cross-sales, programmes of loyalty and retention, satisfaction index, referral shares, affiliate programs etc.).

5. It is advisable to carry on regular testing of selected channel of the bank's marketing communications in accordance with the calculation of marketing channel returns indicator, namely:

$$ROMI_{channel} = P/C * 100 = (M * k * \frac{B}{c_{1k}}) / (B + IC) * 100, \quad (3)$$



where  $ROMI_{channel}$  – returns of the bank's marketing communications channel;

P – total profit from the channel use;

C – total costs for the channel use;

M – average margin from the sale of a product or a service;

k – coefficient of the channel conversion, %;

B – total budget for the channel use;

$c_{1k}$  – cost of conversion 1;

IC – indirect costs for the channel use (for example, an agency's commission, a marketer's salary etc.)

6. For large banks (such as PRIVATBANK, Oschadbank, Ukrgazbank, OTP Bank, Pivdenniy and others), according to the author, the formation of own target audience, in particular, the increasing financial literacy; the creation of a separate portal for combining existing and potential customers who can and want to learn how to manage their finances; the participation and organization of various events and conferences for a business sector are the essential activities.

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