

THE ROLE AND IMPORTANCE OF THE STRATEGIC PLANNING IN BANK MARKETING

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Abstract

The paper aims to highlight the strategic planning role and place in bank marketing, define the concepts of strategic planning and marketing planning and the tactical planning, marketing plan and marketing program.

In this context, the author emphasize the strategic marketing planning process and its implementation stages (defining the specific mission, environmental analysis, formulation of objectives, strategies, action plans and programs, implementation, testing, overhaul and performance evaluation). Also, are reviewed organizational and decision levels specific for the strategic planning, higher organizational level, strategic unit level and operational level and the criteria considered in formulating objectives: acceptability, flexibility, motivating character, clarity, feasibility and compatibility.

Key-words: *marketing plan, marketing planning, strategic planning, tactical planning, marketing program, higher organizational level, unit level strategic, operational level*

JEL Classification: M20, M21

Literature review

Scientific marketing literature, regarding services marketing in general and banking marketing in particular has a tremendous evolution after '90s when many authors emphasized the role and importance of the services as tertiary economy sector, as been a source of competitive advantage for organizations.

The particular issue concerning strategic planning in bank marketing has been also approached by many specialists in the field, as a result we just point out some of most important findings that in our opinion highlights the importance and the relevance of strategic planning process in bank marketing.

As early findings we could cite Arthur Meidan (1993) – who was concerned with grouping different bank marketing strategies. The author grouped marketing strategies into two broad categories: growth and competitive strategies. Also there are taken into consideration the criteria on the basis of which marketing strategy selection can be made and there are highlighted alternative strategies suitable for different banks.

Later, L. Moutinho and P.A. Phillips (2002) stated that the impact of a variety of planning practices on competitiveness, overall performance of the bank

is a major problem of nowadays banking organizations, also bank branch effectiveness is affected by effective management practices; the overall performance of the branch depends highly on both long term thinking and innovation; long-term thinking seems to have also a high degree of impact on strategic planning effectiveness; and finally, the degree of precision attached to planning, programming, budgeting and control seems to trigger high levels of marketing effectiveness.

Other authors, such as Raija Järvinen, Uolevi Lehtinen, Ismo Vuorinen, (2003), have revealed the importance of high end technology used for banking operations from the perspective of strategic decision making. The authors consider that in addition to advanced technology, service providers need to pay explicit attention to social aspects. The best decision making process calls for more customer orientation when planning high-tech solutions in service operations, and taking a new attitude to segmentation of the customers.

In 2009, Celso Augusto de Matos, Jorge Luiz Henrique, Fernando de Rosa have approached issues relating to different roles of switching costs on the satisfaction-loyalty relationship in bank marketing. The research conducted by the authors revealed that: switching cost is a significant antecedent of both attitudinal and behavioral loyalty; the mediating effect of switching cost is stronger in the relationship between satisfaction and attitudinal loyalty; and the moderating effect of switching cost is stronger in the relationship between satisfaction and behavioral loyalty. Customers with different switching costs levels will manifest distinct relationship between satisfaction and behavioral loyalty. Thus, investment on marketing strategies and campaigns should be oriented to better convert switching perceptions into effective loyalty considering its mediating or moderating effects

Marketing variables as price could have a very important effect on loyalty and customers satisfaction, besides environment, personnel, etc. From a strategic planning perspective assuring a high level of loyalty in banking services represents not only one of the main objectives but in the same time a condition for competitive advantage and marketing efficiency.

Related also to the different aspects of decisions efficiency is the work of Joseph Coughlan, Estelle Shale and Robert Dyson (2010). They illustrate the effect of including the customer as a resource in efficiency measurement. Authors have studied different bank branches and find out how relationship and transactional paradigms are affecting performance. Although the average profile of the efficiency scores was similar, the scores of the individual branches differed greatly depending on how customers were counted. Some branches then can be typified as relationship oriented while others as transactions oriented bearing in mind that all branches have both remits.

Future research in efficiency measurement should include customers as a resource of the bank given the importance of them for the activity of co-production.

The concept of **planning** is not seen as important and valuable as it used to be although it has been considered a concept of maximum importance within the economic theory and practice for a long time. The causes for this have at least two reasons. Firstly, we must take into account the fact that since the '90s, the concepts of "plan" and "planning" begun to depreciate over time and also the fact that planning is considered to be superfluous in an instable and even sometimes turbulent environment.

In reality though, success is dependable on the consistent elaboration effort, on the effort of following and accomplishing the planned objectives, in fact on the **marketing plan**. The respective concepts – planning and plan – must regain the deserved importance, the marketing plan being the instrument that can drive the organisation's intercessions towards the wanted direction for the accomplishment of its general mission and objectives.

Within such a context, the **strategic planning** gains a crucial importance today, taking into consideration the post '90's evolution of the Romanian society and economy, the complexity of the environment where the commercial agents work in general, and of the market in particular. Such processes along with other ones generated multiple and profound changes in the life of society and implicitly in the activity taking place at a micro-economic level, therefore at the level of the market agencies, regardless of their activity object, form of ownership and organisation manner.

These are only some considerations that must be taken into account by the banking societies, as the competition in the field is acerbic.

The collocation **marketing strategic planning** is a "complex process of establishing the best relations between the objectives, the employees' preparation and a company's resources on one hand and the marketing mix related to the market's conjuncture on the other hand"¹. In the banking activity, strategic planning is a process consisting in formulating objectives and strategies on the long term at organizational level, meant to insure a viable relation between the resources and the environment, favourable for the development and the pursuit of its fundamental purpose.

Besides **the tactical planning**, the strategic planning is a component of the marketing planning with the main role of reducing the risk of error emergence and placement of the bank in a position that makes it possible to anticipate the change, to react to it and to be able to generate advantageous situations for the parties involved. In such a context, the strategic planning insures a natural long-term evolution for the company within the market in order to reach a more convenient position through marketing strategies conceived on basis of own resources and the tendencies manifesting in the environment where it activates. The necessity of strategic planning for the banking institution is determined by the fact that the performances obtained by the banks using marketing planning are greater than the ones registered by the other institutions. Therefore, we shall mention *the advantages* of marketing strategic planning that generally refer to:

- The rise of the managerial motivation level and a better cooperation between departments.
- The establishment of rational marketing objectives and a greater probability of accomplishment of the general objectives resulting from the banking institution's mission.
- A greater possibility to identify the subsequent evolutions of the markets, products and banking services.

¹ C. Florescu, P. Mâlcomete, N.A. Pop, *Marketing. Dicționar explicativ*, Economica Publishing House, Bucharest, 2003, p. 524.

- The capacity to face the changes and even to impose them in the subsequent activity.
- The reduction to a minimum of the irrational reactions before unanticipated situations.
 - Better communication between the members of the bank management.
 - They generate a systematic, perspective thinking.
 - Insure a more efficient allocation of the banking institution resources depending on the market opportunities.
 - Offer an optimal control and correction framework on the continuous basis of the activities.

A series of *constraints* and barriers intervene in the achievement of the marketing strategic planning, the specialist literature² highlighting the confusions that occur between the marketing strategies and the marketing tactics, between the marketing function and the marketing concept, between the marketing planning process and its result and, last but not least, between the marketing plan and the marketing programme. These barriers are connected to the specific organizational culture, the lack of knowledge and skills manifested by the personnel holding responsibilities in the field of marketing and even by persons in the management, to the incorrect establishment of the priority objectives etc.

Definitely, the adoption of the marketing strategic planning by the bank is a complex decision conditioned by a series of multiple *factors*, the literature in the field³ mentioning the following as the most important ones:

- the existence of some compatibility between the intrinsic values of the marketing planning process and the fundamental values of the organisation;
- the climate and the organisational culture;
- the level of maturity reached by the bank's evolution;
- the knowledge, understanding and correct use of the marketing concepts and instruments.

The most favourable conditions for the adoption of the marketing strategic planning are insured by those banks with a high flexibility in relation to the ones exclusively based on hierarchy, that use adequate personnel motivation mechanisms, that promote a collaboration climate and that are strongly oriented towards the market and the client satisfaction.

The experience of strategic planning show that there are some basic steps to take for its implementation at organizational level: the definition of the specific mission of the organisation; the analysis of the environment (internal and external); the formulation of the objectives; the definition of the strategies; the elaboration of the action plans (programmes); their implementation and, finally, the control, review and evaluation of the performances. We shall analyse them one by one.

a. *The mission of the organisation* is a characterization of the general mission of the banking institution related to the specific activity. If the institution is a freestanding entity, its mission shall be defined on basis of the same benchmarks taken into consideration by a big corporation. In most cases, the mission of the

² C. Florescu, P. Mălcome, N.A. Pop, *quoted work*, p. 526.

³ Nicolae Al. Pop (coordonator), *Marketing strategic*, Economica Publishing House, Bucharest, 200, p. 189.

institution and the main objectives issued out of it remain valid for a long period of time, the exceptions rising when big changes occur in the marketing environment, changes that could not have been anticipated or when the resources of the organisation are modified significantly.

b. *The analysis of the internal and external environment* of the company means the correct identification and evaluation of the opportunities, but also of the existent and expected threats within this environment and especially within the targeted markets. The maximization of the strengths is usually pursued by combining the existent potential with a new one, resulted from a certain development modality. With regard to the internal environment, the evaluation of the own resources is intended, as well as the reference to the existent situation within the market, in order to discover the strengths and weaknesses of the organisation.

c. *The establishment of the objectives* referring to the basic aspects of the business activities is pursued within the stage that we have named the formulation of the institution's objectives, both from a quantitative and a qualitative point of view. The objectives referring to the growth of the sales volume, the rise of the market share, of the profits (quantitative objectives) but also the ones referring to innovation, reputation, image (qualitative objectives) must be realistic and must insure compatibility between different objectives.

d. *The formulation of the strategies* is a compulsory condition for accomplishing the bank's mission. Of course, it is the strategy that designates the action direction, the path to follow in order to reach one or more objectives. Regarding the market strategy, this is the result of various factors,⁴ the most important being:

- Factors reflecting the general situation of the banking institution, taking into consideration its mission, objectives and strategic capacity.
- The status of each product (service) within the market.
- The status of the competition.
- The opportunities and threats existent in the marketing environment.

e. The fifth stage is the *elaboration of the action plans (programmes)*, meaning a certain way of action from the marketing point of view, in general, and the mix, in particular, in order for the established objectives to be achieved. Such an action plan should indicate "what" needs to be done, "when" it should be done and "how will the actions and decisions that lead to the company's marketing strategic objectives accomplishment be coordinated."⁵ Usually, the marketing programmes are developed in accordance with the allocated budgets and their time horizon is targeting the following year.

f. In the following stage, the one of the *implementation*, the marketing plans (programmes) are put into practice, the factors of the internal environment having a special role in making them become reality.

⁴ N. Al. Pop (coord.), *quoted work*, p. 183.

⁵ *Idem*, p. 184.

g. The last stage of the strategic planning is the *review and control* one, subsequent to which the necessary corrections will be operated within the objectives, strategies and programmes and their manner of implementation. It is good to make such changes before any crisis situation is reached. Within every banking institution, the strategic planning process is developed on many independent **organisational and decisional levels**. There are three such levels: the superior organisational level, the level of the strategic unit of activity and the functional level.

a. *The superior organisational level* is the highest planning level in any organisation. At this level, the decisions concerning the establishment of the mission and the formulation of the banking institution's objectives are taken, the structure of the activity portfolio, the determination of the development modalities, the volume and manner of allocation of the resources according to the resources. In this context, the planning at such level pursues both the financial objectives and the non-financial ones, the adopted decisions and activities developed influencing the other two organisational levels.

The objectives corresponding to this organisational level refer to the totality of activities developed by the banking institution, the general objectives establishing the performance levels that are going to be accomplished in a certain period of time. These objectives are usually formulated officially, being expressed mainly in statistic-financial terms (turnover, value and volume of sales, sales growth index, rate of profit, dividend level, value of an action, efficiency of the investments, cash flow, etc.), but also non-financial (the development of the employees' salaries, creation of opportunities regarding their career, the relations of the bank with the employees, the information and informational programme, the social stability towards the clients, the local collectivity and society in general in fields such as education, public activities, health of the community, etc.).

b. *The level of the strategic unit of activity* is a very important one, as the organisation is a complex system formed of various strategic activity units. In fact, such a strategic unity of activity is concentrated on a single product or brand, on a line of products or product mix commonly associated and that satisfy a certain market need or a group of connected needs. In order to be defined as a strategic unit of activity, it has to cumulate three characteristics: separate planning, distinct leadership and own competitors.

The planning at the level of strategic unit of activity establishes the products (services) that are to be developed, the targeted markets or market segments, but also the way the clients' requests are satisfied, in order to accomplish the general objectives of the institution. At such a level, the managers pursue the identification and exploitation of the competitive advantage within the market of the targeted market segment in order to insure the viability of the strategic unit of activity.

The objectives need to be clearly defined and distinctly established for each unit. In this case as well, the objectives are usually financial – statistic, formulated similarly to the general objectives of the organisation. Unlike the latter, the objectives of the strategic units of activity are much more specific and are limited to a part of the institution's activity.

c. The functional level of *the strategic planning* refers to the functions of the banking institution in the conditions in which the way they are accomplished influences the bank's competitiveness on the market. For each business strategic unit, the marketing functions, the financial- accounting, production, research and development and human resources functions will be individually planned. The managers will have responsibilities such as the establishment of the annual objectives, the elaboration of the strategies on the short term and the accomplishment of the strategic plans of the bank. Therefore, plans for each product will be elaborated at the level of the marketing function, plans that will include both strategic and tactic decisions. The objectives and strategies of the product plans must be in compliance with the objectives and strategies of the organisation's strategic marketing plan. According to their nature, the objectives of the marketing plan will firstly be statistic – financial ones (the turnover, the sales value, the level of the profits, etc.) and secondly, objectives specific to the marketing, quantitative (market share, relative market share, the notoriety of the bank, the degree of market coverage) or qualitative (the improvement of the institution's image or of a product (service) it offers, of a brand, etc.). In the latter case, the favourable modification of the potential clients' perceptions is observed.

In the planning process, the managers at the superior organisational level and the ones at the level of strategic unit of activity will concentrate on efficiency, while the managers from the functional level (such as the marketing managers) will focus both on the effectiveness and on the efficiency of the activity developed.

In order for the formulated objectives to facilitate the accomplishment of the banking institution's mission, it is necessary for it to fulfil a series of **criteria**, characteristics referring to: acceptability, flexibility, measurability, the motivational character, clarity, feasibility, compatibility. Although the content of these criteria results from their denomination, we shall present it briefly nevertheless.

- *Acceptability* is the requirement of the objectives to respond to the main shareholders' objectives within the bank or exterior to it, otherwise their accomplishment can be baffled.

- *Flexibility* means the possibility to adjust the level of the objective according to any unexpected changes emerged in the external or internal environment of the banking institution. Only in exceptional cases, when such a verification cannot be operated, the nature of the respective objective will be changed.

- *Measurability* means the possibility to quantify the object, so that it should clearly mention what is to be done in a specific period of time. Such a quantification leads to more chances for the objective to be accomplished, limiting at the same time the emergence of certain misunderstandings inside the banking institution, between the different organisational levels that have attributions in accomplishing the objective.

- *The motivational character* of the objective means the extent to which its level generates a high level of involvement from the bank's personnel. This implies carefully establishing the level of the objective, taking into consideration the

requirements of the environment and also the possibilities, the real resources the organisation holds.

- *Clarity* means defining the objective in order for it to be well understood by everybody holding liability in its accomplishment. The importance of the clarity is enhanced by the fact that objectives are a benchmark for the evaluation of the obtained results and they are useful for the adoption of certain measures for enhancing the performances.

- *Feasibility* means establishing the level of the objective realistically, otherwise the objective becomes non-relevant for the bank.

- *Compatibility* is that characteristic that shows that the objective has been formulated in accordance with the other objectives of the banking institution. Therefore, the possible contradictions that could occur between the objectives corresponding to the different levels of planning must be avoided.

Conclusions

As we have stated in the beginning of the article, papers related to the strategic planning issue in bank marketing emphasized the very importance of this issue related with developing viable marketing strategies.

The process of planning presume a wide range of variables to combine, different endogen and exogenous factors, and a particular sort of stages to attain.

Decisional factors have to combine into a creative way the strategic resources of the organization for assuring the competitive advantages on the market. These advantages depending on a great extent by the feedback of the modern bank customers, not only by the traditional competitive environment. This is why for a successful planning process decision makers has to overcome old perceptions and preconceptions about customers, make an efficient segmentation strategy and research in a throughout manner the banking service level of customers involvement.

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