

The Main Trends and Features of Banking Marketing in the Digital Economy

S Poliakh¹, A Rudenko² & K Poliakh³

¹PhD, Cherkasy State Business College, Ukraine

²Teacher, Cherkasy State Business College, Ukraine

³Postgraduated Student, Banking University, Cherkasy Institute, Ukraine

Email Id: poljashonok@gmail.com

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Abstract

Keen competition in the market of banking products has made effective marketing activities of banks one of the most important factors of their successful functioning. Changes in the technological and socio-cultural environment require the adjustment of current marketing practices, as well as the active introduction of modern methods of promotion. The development of digital means of data transmission and their active use by the population has led to an interest in digital marketing.

The features of bank digital marketing as one of the sectoral types of marketing have been determined. The main characteristics of marketing Ukraine's banking services have been outlined. The results of the study of major trends in digital marketing used by domestic banks in 2020 have been presented. It has been found out that the cost of Internet advertising in the media component of marketing communications increased by 2.9 times up to UAH 2.3 billion, while the volume of television advertising decreased by 8% to UAH 3.9 billion. At the beginning of 2020, the expenses of banking institutions for marketing and advertising increased by UAH 571 million compared with 2016. The results of the research show that in 2020, only 29 out of 75 banks used Chatbots and seven of them used Chatbots as marketing communication channels with their customers. Only 11 banks of Ukraine prove to have significant success in doing marketing activities on social networks. The study allows us to note that most banking organizations are actively using certain tools of digital marketing promotion replacing traditional banking transactions with services based on the use of artificial intelligence, and moving into cyberspace. Only a small number of the analyzed financial institutions use all possible tools of digital marketing. Banking institutions have focused mainly on offering an improved customer experience, with more personalization and more customized services to increase customer satisfaction.

Keywords: bank; bank marketing; digital marketing; social media marketing; effectiveness of marketing activities.

Introduction

Formulation of the problem and its connection with important scientific or practical tasks

The pace of development of the banking market requires the use of modern marketing tools to increase its financial performance. In this context, the impact of digitalization on the banking business in Ukraine becomes of vital importance. Therefore, for the banks to operate effectively, it is necessary to combine the components of digital and traditional marketing, which may vary depending on the adopted business model and the state of the product and price segments of the market.

The research uses general and special methods in the analysis and evaluation of banking marketing, as well as classic tools, social networks, new concepts based on advanced information technology, which provides banks with unique opportunities to expand their customer base. Thus, the article is aimed at reviewing and analyzing current trends in digital marketing, which are actively used by banking institutions in Ukraine nowadays.

Literature Review

The main aspects of forming and developing current bank digital marketing are in the focus of attention of such scientists as Marchuk O. O., Piddubna V. G., Baran R. Ya., Kopishynska O. P., Batayev A. V., Bobyl V. V., Kuznetsova L. V., Novikova I. V., Khudoliy L. M., Liuty I. O., Torianyk Zh. I., Lutsiv B. L., etc. [1, 2; 4, 5].

However, more attention needs to be paid to the study of current trends in digital marketing in the banking sector, which determines the purpose of this article.

Purpose and Objectives

The purpose of the article is to present the conceptual foundations for the formation and development of digital marketing and its application by banking institutions.

According to the purpose, the article is supposed to reveal priority trends and perspective directions in the development of Ukraine's bank digital marketing at the present stage.

Material and Method

Nowadays new digital technologies and innovative business models penetrate all spheres of the economic life of the society, influencing the very essence of the economy, forming qualitative structural changes in it. Banking institutions are not an exception.

Under modern conditions, the financial and monetary market is characterized by a significant increase in competition. Banking institutions are forced to use new management tools to ensure resilience and a more flexible response to changes in the environment. On the other hand, qualitative changes have taken place in banking institutions' activities, leading to the active use of digital marketing tools by banks, which contributes to the growth of reliability, financial stability, and competitiveness.

Bank marketing is completely based on the general principles of marketing, performs numerous functions, and is an integral part and link of the general concept of marketing. However, the Internet and various digital channels are modifying the forms and methods of marketing communications, becoming the main means of advertising and interaction with the consumer, and creating a new form of marketing activities, i.e. digital marketing.

Bank digital marketing is a component of general bank marketing, formed under the influence of digitalization. Bank digital marketing can be defined as the search for the most profitable (existing and future) markets for banking products, taking into account customers' real needs using digital channels. This process involves a clear statement of the bank's goals, formation of the ways and means to achieve them, and development of specific measures to implement plans.

The main features of bank digital marketing as one of the sectoral types of marketing include:

1. Decentralization of the information provider, the choice of what to buy is determined in the dialogue with the buyer.
2. "From vertical to horizontal". The nature of information transmission is changing fundamentally due to the interactive nature of new media.
3. New media have a multimedia ability to transmit content. These include text, information, numbers, graphics, photos, videos, pictures, etc., visual and verbal, tactile, olfactory elements of communication.
4. The transmission of information through new media, in contrast to mass media, provides technical and information tools and technologies, including necessary professional competencies of employees.
5. Classical media, such as mass media, inform an indefinite number of people, have an exclusively mass nature of interaction with the audience. New online media, including new mass media, have a targeted and interactive nature. They can create a multimedia message and provide feedback to the target audience. The principle of communication of common media is "from one to many", whereas of new media – "many with many".

The combination of the above characteristics allows us to conclude that the basis of bank digital marketing is structured electronic information, technology, logistics, distribution in conjunction with the commercial and human potential of the bank [2, p. 210].

Accordingly, a feature of bank digital marketing is the use of modern information and digital technologies in the development, implementation, and adjustment of strategies, methods, and tools of product, pricing, sales, and communication policies. The user (consumer) falls into a group of people who are in the online or offline network, a set of which is called Traffic. The bank advertising system, including banners, contextual, teaser advertising, ads on the forum directs the user to the Converter. As soon as the user's area of interest intersects with the subject of the advertised banking product, the user is converted into a potential customer. Getting interested in the unique offer, the potential client leaves his contacts to the bank staff and communicates with the bank manager directly.

At the present stage, the use of digital marketing in Ukraine's banking sector comes to the fore, leaving traditional marketing behind, but due to the low level of digitalization in the society, it is not used up to 100%. Thus, according to the Ecommerce Foundation, Ukraine has the lowest level of Internet penetration (49%) among European countries, while the average level of 12 most developed countries is 92% [3].

At the beginning of 2020, the following phenomena were typical for marketing banking services in Ukraine [1]:

1. Comprehensive research of the banking services market by an increasing number of banks, including the ones aimed at reducing risk.
2. Market segmentation to meet the real needs of customers.
3. Development and implementation of banking innovations.
4. Modernization of existing banking products as an element of banks' marketing policy.
5. Activities aimed at developing product image offered by the bank to the market.
6. Implementation of bank's timely reaction to the actions of competitors.

7. Involvement of the marketing department, bank employees, customers when developing new ideas and types of banking services.
8. The growing role of the bank’s communication policy.
9. Personalization of banking marketing.
10. The widespread introduction of information technology in the bank’s marketing activities.
11. Application of successful marketing experience of foreign and domestic banks, implemented through new products or projects.

However, the pace of implementing digital marketing technologies is growing rapidly, as bank marketing is constantly adapting its tools to the conditions of technology development. According to the study conducted over the past five years in Ukraine, online advertising in the media component of marketing communications has increased by 2.9 times up to UAH 2.3 billion, while the volume of television advertising decreased by 8% (to UAH 3.9 billion) [5].

Despite a great number of Internet technologies in bank marketing, we can identify the following trends in digital marketing used by domestic banks in Ukraine as of 2020, namely:

1. Strengthening competitiveness.
2. Using Chatbots.
3. Personalization.
4. Machine learning.
5. Social network marketing.

Result and Discussion

Banks use a significant number of technologies in their strategy and policy to attract both new customers and existing ones. Systematization of Internet technologies data used by domestic banks are given in Table 1.

Table 3.1. Application of Internet technologies in the communication policy of Ukrainian banks

<i>Internet Technology in Marketing</i>	<i>Internet Marketing Tools</i>
Promotion in the Internet environment	Contextual advertising; banner advertising; e-mail newsletters; sponsorship; RSS; competitions in social networks; advertising in online games.
Site promotion	Search engine optimization (SEO – search engine optimization); content; domain name design; citation index
Marketing in social networks	Content, photos, videos, presentations, news, articles, competitions in social networks, site optimization for social networks (SMO – social media optimization)
Image management on the Internet	Monitoring of feedback; work with comparison rating sites; video conference; webinars.
Customer relationship and experience management	CRM – sCRM-systems; online service; communication with consumers through social networks of the instant messaging system.
Product policy and development of new products	Photo-video presentation of the product; a range of goods/services on the Internet; a complete set of goods/services on the site; product description; online service; testing a new product through communities.
Distribution policy	Sale through Internet intermediaries, Online auction. Web showcases; instant messaging systems; feedback forms on the site.
Pricing policy	Internet payment systems; price lists; discounts
Blogging	News, articles, press releases; photo-video materials, presentations.
Mobile Internet	Mobile applications.

Source: formed by the author [4]

In recent years, there has been a growing impetus to increase the competitiveness of non-banking institutions, technology giants, telecommunications companies, and other payment systems with the introduction of technological products and digital innovations. According to the data offered by Accenture consulting company, competition from non-banking institutions can destroy one-third of the income of traditional banks in 2020, mainly through microservices (payment of utility bills, micro crediting, payment of fines, etc.) and retail business. At the same time, corporate business remains the focus of banks in bank digital marketing [1].

Thus, most banks believe that it is necessary to increase their expenses on digital marketing and increase efforts to implement different platforms to improve the effectiveness of their advertising and promotion of their services. During 2015-2019, one can note significant changes in the budgets of advertising companies of banking institutions of Ukraine (Fig. 3.1).

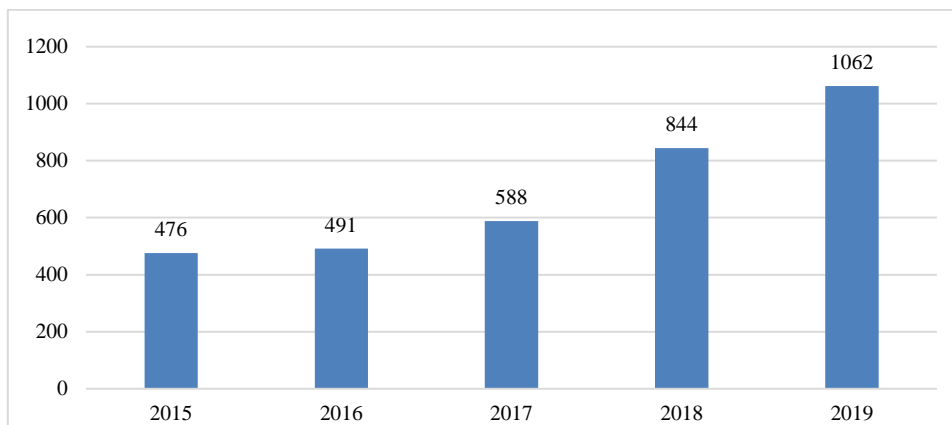


Fig. 3.1 Dynamics of Ukraine’s banking sector advertising expenditure in 2015-2019, UAH million.
Source: made by the author

According to Figure 3.1, since 2015 there has been a positive trend of increasing banking sector marketing and advertising expenditure. In 2016, total expenditure amounted to UAH 491 million; in 2019 this figure increased by 116.3% and amounted to UAH 1,062 million.

The next trend of digital marketing in Ukraine’s banking sector is the use of chatbots as the main contact person for customer service.

Chat is one of the fastest-growing aspects of any customer support, with the increasing availability, complexity, and improvement of digital marketing options for banks. The chat is ideal for standard customer inquiries, checking accounts, checking services, and viewing the first level of customer service, which in turn reduces financial costs, replenishes the customer base, and reduces the load of call centers, which significantly increases the level of service and work with customers.

In August 2020, PAYSPACE conducted a study and found that 29 banks out of 75 on the official list of the National Bank of Ukraine that have a license had publicly available chatbots, which made up a total of 53 bots, including non-working ones. It is worth noting that seven bots from the entire list have a very narrow functionality, most often just a communication channel with the bank operator (Table 3.2).

Table 3.2 Characteristics of chatbots used by Ukrainian banks

Chatbot	Messengers	Bot function	Bank
PayLastic	Viber Telegram	– acceptance of non-cash payments by QR-code, SMS, and e-mail	JSC ‘Oschadbank’
Oschadbot	Facebook Telegram	– information about card accounts, changing limits, blocking cards	
Chat-bot	Viber Telegram	– concierge service, business banking for entrepreneurs, planning and solving household issues	Raiffeisen Bank Aval JSC
PrivatOchBot PrivatBank credit PrivatMrBot	Facebook, Telegram, Viber	– conducting financial transactions in a few clicks	JSC CB Privatbank
Otpbank_bot	Facebook Telegram	– information and payments from the card account, exchange rates of the bank, addresses of branches and ATMs of the bank, change of limits for operations	OTP Bank JSC
Tascombank	Telegram	– current exchange rates, the address of the nearest branch or ATM of the bank, assistance in obtaining a payment or credit card	TAScombank JSC
Alfa bank	Viber Telegram	–provides answers to any customer questions, helps with product selection, and advises on the services	Alfa-Bank JSC

Source: [6]

Chatbots of Ukrainian banks are found in the following messengers: Telegram, Viber, and Facebook (Messenger). In addition, some banks have created bots for their websites, where they are presented in the form of chat widgets on sites.

Fig. 3.2 presents the rating of the popularity of messengers among Ukrainian banks for the sale and provision of services via chatbots.

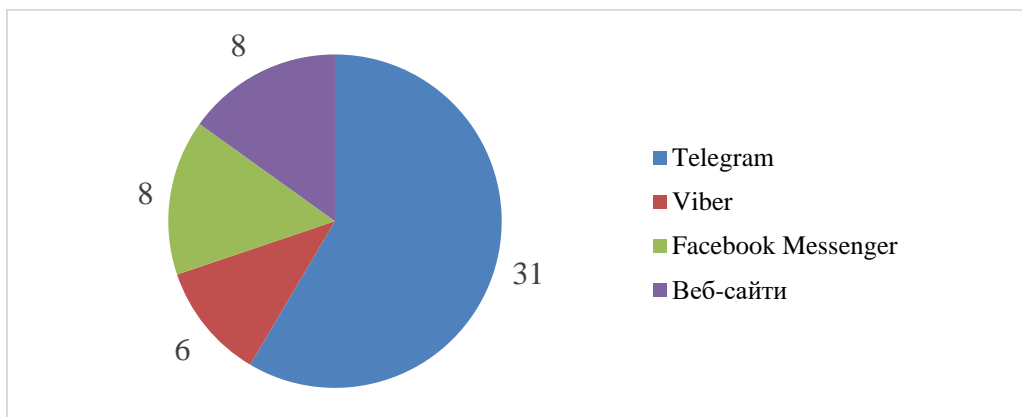


Fig. 3.2 The popularity of chatbots uses by Ukrainian banks in managers, people. Source: made by the author

The use of segmentation, targeting, and personalization in digital marketing for banks is an important trend. Big data allow banks to focus on individual consumers rather than segments as a whole, creating greater personalization and a better user experience. Thus, single-person segmentation relies on tracking through cookies and other tools, as well as aggregating and collecting data through multi-channel touchpoints such as the Internet, social media, and applications.

This trend is related to the desire of consumers to personalize and communicate with their banks, with about 74% of all consumers expecting that “brands” will treat them as individuals. Machine automation and artificial intelligence (AI) combined with big data allow us to offer personalized options, modular services, and products, pre-approval of loans and services, and other personalized information.

The other trend in bank digital marketing includes the two previous ones, namely artificial intelligence and machine learning, which is an important aspect of integrating programs, chatbots, and single-person segmentation, as most banks have access to a large amount of data. For example, AI can track a user’s progress on the website, social media, and applications, track their search (using cookies) and create a personalized customer map for them. AI may choose to display goods and information relating to the consumer, and may refer them to a customer service representative if necessary. Otherwise, it may anticipate what the consumer needs based on his behavior and actions.

In Ukraine, the use of AI is presented as operational consulting on transactions, informing about additional services and offers, segmentation and attracting customers 24/7, determining the optimal time and service channel. This technology is used by two Ukrainian banks: JSC CB Privatbank and Alfa-Bank JSC.

JSC ‘Oschadbank’ uses artificial intelligence as a technology of biometric identification and authentication of customers’ access to accounts, and bots to process internal IT requests to prevent employees’ attempts to reset working passwords, machine learning to detect fraud in real-time [8].

The latest trend is social media marketing, i.e. a special tool of Internet marketing, which involves product, service, or brand promotion through the use of social networks. Marketing activities have become quite closely intertwined with social networks, especially in the field of advertising. The goal of marketers is to connect the brand with a younger audience that does not respond to traditional media but is more focused on the recommendations and advice of friends, acquaintances and family, bloggers.

Marketers of banking institutions promote goods through popular homepages or create theme pages, groups in a social network (Table 3.3).

Table 3.3 Positioning of Ukraine’s banking institutions in social networks

Bank	Facebook	YouTube			Twitter, thousand		Instagram thousand
	Subscriber base	Number of views, thousand	Number of videos	Subscriber base, thousand	Number of tweets	Number of readers	Number of publications
Oschadbank	194,291	13,729	218	6.9	0.679	0.872	35.3
Privatbank	147,317	29,607	380	28.2	62.4	128.6	141
TAScombank	177,475	3	10	0.022	0.031	0.03	0.455
PUMB	134,383	7,419	249	3.8	13.3	2.778	11.4
Ukrsibbank	77,469	8,089	162	2.58	2.476	1.48	6.876
Raiffeisen Bank Aval	66,636	29,106	187	-	0.682	0.421	8.627
Idea Bank	58,507	5,813	100	280	-	-	0.296

OTP Bank	42,934	16,816	183	1.43	0.483	0.311	0.999
Alfa-Bank	46,602	21,783	187	11.4	-	-	14.9
Monobank	46,339	56,245	15	6.66	2.0	6.907	82.9
KredoBank	24,676	5,612	99	0.482	1.184	0.212	1.098
Ukrgasbank	94,238	4,596	58	0.499	1.869	0.757	2.509

Source: made by the author

As one can see from Table 3, only 11 banks in Ukraine are a success in marketing on social networks. The leader on Facebook is JSC ‘Oschadbank’. At the same time, JSC CB Privatbank has focused its efforts on such platforms like Twitter– 128.6 thousand readers and Instagram – 141 thousand subscribers. In these social networks, JSC CB Privatbank has no competitors at all. A different situation has developed with YouTube, in which the 1st place belongs to JSC CB Privatbank, the 2nd place is taken by PUMB JSC, and the 3rd place is occupied by JSC ‘Oschadbank’.

Alongside these social networks, the assessment of the popularity of the bank's official website use in 2019 has been made (Table 3.4).

Table 3.4 The popularity of the bank official website use in 2019

Rating	Bank	Bank site	Traffic Rank	Rate in Ukraine
1	Privatbank	privatbank.ua	1,370	9
2	Oschadbank	oschadbank.ua	10,360	79
3	Ukrsibbank	ukrsibbank.com	45,000	245
4	Raiffeisen Bank Aval	aval.ua	49,260	533
5	PUMB	pumb.ua	96,698	717
6	Alfa-Bank	alfabank.ua	111,101	1,337
7	OTP Bank	otpbank.com.ua	188,955	2,030
8	Ukreximbank	eximb.com	252,978	2,600
9	Ukrgasbank	ukrgasbank.com	194,588	2,748
10	Credit Agricole Bank	credit-agricole.ua	210,596	2,776
11	KredoBank	kredobank.com.ua	299,366	3,436
12	ProCredit Bank	procreditbank.com.ua	906,235	10,480

Source: [Error! Reference source not found.]

Accordingly, bank sites are not in the highest positions on the Internet, except for JSC CB Privatbank. It takes 9th place in terms of use, which indicates a significant opportunity to carry out its advertising and marketing policy effectively, as well as provide customers with complete information about products and the bank as a whole, whereas JSC ‘Oschadbank’ is in the 79th place.

The next step is to assess the effectiveness of marketing activities of banking institutions in the context of digitalization and analysis of advertising and marketing expenditure by domestic banks (Table 3.5).

Table 3.5 Marketing and advertising expenditure of banks in 2017-2019, UAH mln

Bank	Marketing and advertising expenditure of banks, UAH million			Deviation, UAH million		Increase, UAH million	
	2017	2018	2019	2018/2017	2019/2018	2018/2017	2019/2018
Privatbank	36,47	49,38	23,20	12,91	(26,18)	0,35	(0,53)
Alfa-Bank	95.43	110.93	120.40	15.50	9.47	0.16	0.09
PUMB	66.85	132.33	105.90	65,.8	(26.43)	0.98	(0.20)
Universal Bank	4.19	49.10	80.40	44.91	31.30	10.72	0.64
Oschadbank	61.61	43.67	49.70	(17.94)	6.03	(0.29)	0.14
Raiffeisen Bank Aval	32.03	48.76	42.00	16.73	(6.76)	0.52	(0.14)
OTP Bank	36.70	46.58	41.60	9.88	(4.98)	0.27	(0.11)
Credit Agricole Bank	20.56	33.90	30.00	13.33	(3.90)	0.65	(0.11)
Ukrgasbank	10.54	32.39	29.50	21.85	(2.89)	2.07	(0.09)
Idea Bank	28.31	32.82	26.90	4.50	(5.92)	0.16	(0.18)

Ukrsibbank	24.86	34.53	26.10	9.68	(8.43)	0.39	(0.24)
ProCredit Bank	6.49	15.92	23.90	9.43	7.98	1.45	0.50
KredoBank	17.14	28.36	18.20	11.22	(10.16)	0.65	(0.36)
TAScombank	27.71	16.21	16.50	(11.50)	0.29	(0.42)	0.02

Source: made by the author based on [Error! Reference source not found.]

During the analysed period, the leader in advertising and marketing expenditure is still Alfa-Bank JSC. In 2017, it amounted to UAH 95.43 million, in 2018 – UAH 110.93 million, in 2019 – UAH 120.4 million. Analysis of expenditure of JSC CB Privatbank showed that from 2017 to 2018 the bank increased its costs by UAH 12.91 million, in 2019, on the contrary, there is a decrease in marketing expenditure by UAH 26.18 million. ProCredit Bank JSC made the lowest expenditures among the analysed banks in 2017-2018. In 2019 it was JSC TAScombank.

Conclusion and Prospects for Further Research

According to the results of the study, most banking organizations are actively using certain tools of promotion through digital marketing, replacing traditional banking transactions with services based on the use of artificial intelligence, and moving them to cyberspace. Domestic banks focus on offering a powerful digital presence and applications to meet the needs of young consumers, offering an individual approach to everyone. In addition, most of them have focused on offering an improved customer experience, with more personalization and more customized services to increase customer satisfaction. Therefore, the use of digital technologies is a necessary implementation that will develop both external and internal ideas and open new ways to advance in the financial market, as each banking institution seeks to promote its technologies and ideas. Further research is needed to form recommendations for adjusting the activities of domestic banks, including analysis of ROI, efficiency, and consistency of organizing marketing activities, as well as an assessment of the cost of attracting each new customer.

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