

MARKETING OF BANKS – SEGMENT OF STUDENTS

Michal Kuběnka, Petra Ptáčková

***Abstract:** The competitive environment forces the banks to make different marketing mixes for different customer segments. It is clear that the differentiation and innovation can be the way how to gain new customers or to hold the current customers. Students are a specific marketing segment and banks usually have specific offer for them. The banks realize the students probably finish higher education in the future. Generally it is true that higher education is connected with higher income and therefore this segment of clients can make the VIP group of bank clients in the future. Moreover some of the students are employed and they use not only the free services but also a lot of paid bank services. Above that many students use the overdraft with high interest rate (usually 12-22%). This article deals with marketing of student accounts on the Czech banking market and presents the results of empirical research from Autumn 2011.*

***Keywords:** Banking, Marketing Mix, Competitiveness, Innovation, Student Accounts, Marketing Research.*

***JEL Classification:** M31, G20.*

1 Introduction

The bank strategies involve the ways how to keep current clients and how to gain new ones. These strategies are not different only for corporate clients and households and individuals but they are aimed more specifically.

Usually, the criterion of the interests is the profitability of segment. But the student clients without own incomes are also required because of their great potential. Many of them are not cost-effective clients today but they can be very good clients in the future. “For many banks, students represent an opportunity to grab potential high-earners as soon as possible.”[1]. That is why the banks have special offers for students.

Students as a market segment is different in many attributes – age, hobbies, interests, approach to internet and other media and communication channels. These factors create their specific customer behavior. Generally the customer behavior can be understood such as „consumer behavior, which refers to the acquisition, use and discarding of consumer products (goods, services, ideas, experiences) to meet the needs and wishes” [12].

But what are the needs and wishes of students? Are they satisfied with present offers of student bank accounts? Which attributes are the more or less important? Do they wish innovations of the present products or do they want some new ones?

Banks must find the answers because there is not possible the product innovation without knowledge of customers – in this case the knowledge of students. We can not compete and innovate if we do not know our customers and their preferences. The knowledge is the base for innovation, this states also for example Tang, J. in his definition of innovation: „It is a process of turning knowledge into economic activity“[13]

There is a lack of information about segment of students and it does not allow to make the effective innovations although it is without discussion that “innovation is regarded as a key business process.“ [6]

The main aim of this paper is to identify the student’s customer behavior and answer the question how the students choose the banks and which account attributes are the key attributes. This should be the basic information for banks to know how to attract these customers.

2 Banking in Czech Republic

History of banking is closely linked with trade and the emission of money. With money have appeared also the services dealing with finances. In the course of time as the society develops also the marketing and financial services develop. Today we can not imagine our life without credit cards, direct debits, payment order and internet banking services.

The marketing is an integral part of today's banking. The marketing influence became evident after 1990, when the Czech banking system has undergone significant change. Since then the banking system has changed from one to two-tier banking system. Before 1990 the bank's approach to the client was strictly passive. The banks waited till the client came alone. Under these circumstances corresponded also a narrow range of bank products.

With the introduction of two-level banking system and new banks enter the competition have increased. Banks had to react to these changes with new products offer and they must adapt to technological developments and deregulation of banking. At this time the importance of marketing increased. This confirms the words of Bruno-Britz “insiders agree that the prospects for organic growth in banking are starting to slim. As a result, banks' customer-retention efforts are more important than ever.“ [2]

Generally marketing in banking is associated with marketing of services. Service compared to the material product has different characteristics. For instance Kotler defines the service as: “*A service is any act or performance that one party can offer to another that is essentially intangible and does not result in ownership of anything. Its production may or may not be tied to a physical product.*“ [5]

In this case the bank services are not connected with physical product but there is the same situation - for innovations of services we need also relevant information about customer behavior and our competitors.

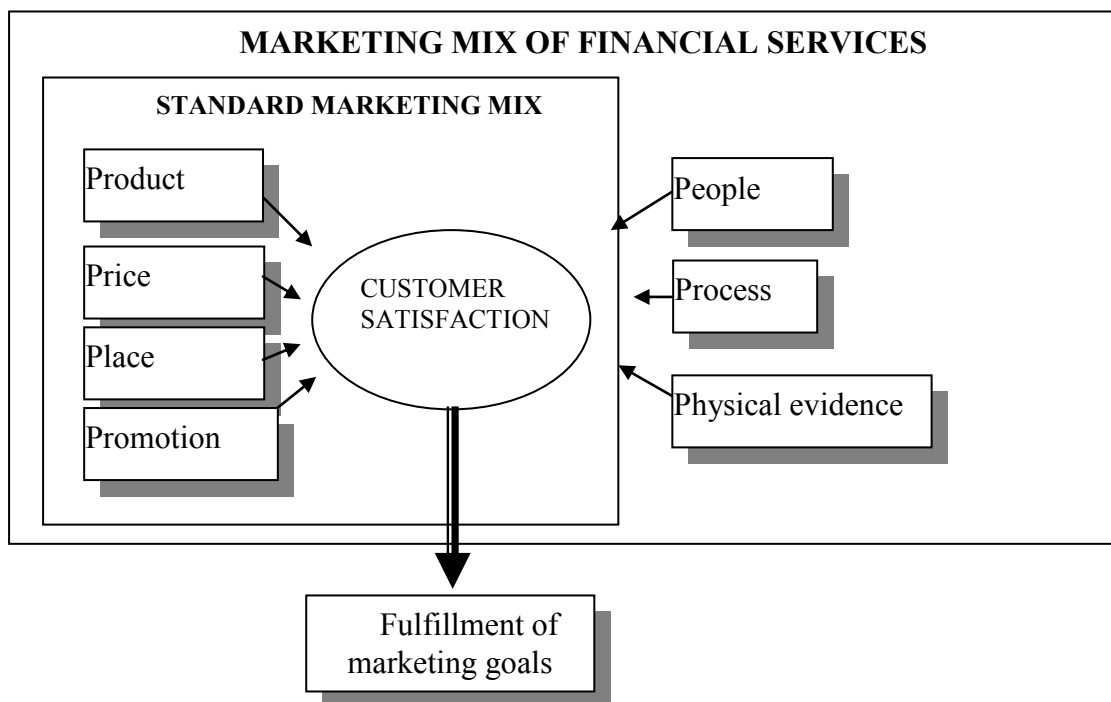
3 Marketing tools – marketing mix of financial services

Marketing mix was introduced by Professor Jerry McCarthy in the book Marketing in 1964. He stated that market offer combines four tools: Product, Price, Distribution (later Place) and Promotion. [8] These tools are known as 4Ps.

For financial services the basic marketing mix was modified. In addition to basic 4Ps includes the tool People (as well Participants or Personell and Customers), Physical evidence and Process [4, 10, 14]. There is placed great emphasis on market segmentation and corresponding product offerings in financial services. The individual components of the marketing mix tools are affected in time. The communication mix has an important role in the financial services, it can be a crucial weapon in the highly competitive environment. Marketing mix is effective only if all its components are balanced and tuned in.

What will be the specific content of individual components, it depends on the actual bank. Marketing mix of financial services see Fig. 1.

Fig. 1: Marketing mix of financial services



Source: Authors

It should be noted that the marketing mix is included in tactical part of the marketing plan, and refers to a specific market segment, which may be just the students. It follows that the marketing mix must be consistent with the overall marketing strategy of the bank. The marketing mix formation occurs in so called “positioning” of product in the market. Positioning follows the segmentation (dividing of market into segments) and targeting (selection of appropriate segment). All these steps are included in marketing plan.

Structure of the marketing plan may be following:

1. basic information about company (name, character, vision and mission),
2. overall summary,
3. situational analysis,
4. SWOT analysis and context,
5. marketing objectives,
6. marketing strategy,
7. action programs => MARKETING MIX
8. budget,
9. control. [15, adjusted]

4 Student bank accounts in the Czech Republic

The bank account can be described as a key product of each bank, which is used for cash and cashless payments. The bank account is an account maintained by a bank under the account agreement.

Student accounts can be described as a current bank account with specific characteristics. It usually offers more favorable conditions for its management (e.g. lower fees, benefits). Currently are offered by most banks on the Czech market. Currently they are provided on the basis of identity cards and certificates of study. The upper age limit for the possibility of opening a privileged student account is in the range from 26 to 30 years.

Competition in the banking market is still growing. Total there are 42 banks in the Czech Republic to date of April 30th 2011.[3]

The most banks offer to students the advantages connected with the bank account, which may have a form of benefits, price or service. In essence the accounts have similar characteristics. The differences are in price, the upper age limit for advantages granting, the size of offered overdraft and interest rates.

The differences are also in offered credit card and account access via the internet. These differences are the parameters of marketing mix of banking services for students. The individual banks differences are used in Tab. 1, there are compared the parameters of student's accounts in leading Czech banks (based on the number of clients). These banks are ČS, KB, ČSOB, Poštovní spořitelna, Raiffeisen Bank and GE Money Bank. There is another significant bank on the Czech market - mBank, but it did not offer student's account in the time of the research (Autumn 2010).

Tab. 1: Comparison of student's accounts in leading Czech banks

Item / Bank	ČS	KB - G2	ČSOB account Plus	Poštovní spořitelna	Raiffeisen student account	GE - Student	Genius
Initial deposit	100,-	300,-	200,-	200,-	500,-	200,-/500,-	
Opening	Free	Free	Free	Free	Free	Free	
Closing	Free	Free	Free	200,- CZK after 1 year keeping 0,-CZK	Free	Free	
Monthly fee	from 0,- CZK	0,- or 20,- CZK	0,- CZK	8,- CZK	30,- CZK	0,- CZK	
Internet banking	Yes	Yes, in case of larger package of services	Yes	Yes	Yes	Yes	
Credit card	Visa Classic	Maestro or MC Standard in case of larger package	VISA Classic Student	Max Karta	Maestro, MC Standard, VISA Electron, VISA Classic	MC Standard, Maestro and Mastercard Internet	
Deposit interest rate	0,01% p. a.	0,2% p. a.	0,01% p. a.	0,05% p. a.	0,01% p. a.	0,01% p. a.	
Overdraft	to 25 000,- CZK	to 20 000,- CZK	to 20 000,- CZK for university students	to 10 000,- CZK	Yes	to 10 000,- CZK	
Overdraft interest rate	18,9% p. a.	12% p. a.	17,9% p. a.	16,9% p. a.	KTK usage 50,- CZK + 21,9% p. a.	19,90%	
Benefits	3 services of your choice and allowance to ISIC card 200,- CZK	The annual bonus of CZK 333 for the active account user, allowance to ISIC card 200,- CZK	Credit card, overdraft, free income payments, IB, ATM ČSOB cash out free	Youth card EURO<26	Account keeping with the advantaged fee, residual SMS free	Bonus 900,- CZK in case of a recommendation to 3 friends who open an account at GE Money Bank, residual SMS free	
Till age	30 years	30 years	28 years	26 years	26 years	27 years	

Source: Own processing on the base of bank web sites

5 The empirical research

The aim of the questionnaire survey was to identify key criteria on which the Czech university students choose a bank to keep their bank account. The quantitative survey was conducted in January 2011. Data collection was conducted through interviews in paper and electronic form. From the sample of 197 students had 156 student account, that is over 79.19% and they were subject to examination.

Tab. 2: The distribution of student's accounts according to the banks

Bank	Absolute frequency	Relative frequency
Česká spořitelna	60	38%
Komerční banka	52	33%
ČSOB	14	9%
Poštovní spořitelna	9	6%
GE Money Bank	18	12%
mBank (standard account)	3	2%

Source: Authors - own research

The majority of students have an accounts in the ČS, the least students entrusted their money in mBank. This result is certainly influenced by the length of time that mBank works on Czech market - it is the youngest bank of the above mentioned banks (also has not a special account for students). On the other hand ČS and KB, which have the largest numbers of students are among the largest banks with a long tradition.

The following Tab. 3 shows the absolute and relative frequencies for each stimulus, on the basis of this stimulus the students decided for some student account.

Tab. 3: The stimulus for the student account

Stimulus for the student account	Absolute frequency	Relative frequency
Recommendations of friends and family	129	83%
Telephone conversation with a bank employee	0	0%
Personal appeal by a bank employee	3	2%
Leaflet on campus	1	1%
Leaflet obtained in a different location	1	1%
Advertising e-mail	0	0%
Location of bank (its position)	14	9%
Other	8	5%

Source: Authors - own research

It is obvious that the recommendations of family and friends are on the top of each impulse with 83%. Conversely telephone reach and promotional e-mail were never any stimulus for opening an account. This fact is caused by the low utilization rate of these communication tools. The second strongest stimulus is the location of the banks with 9%.

In the order was the third stimulus the category "other" with 5% (there is for example: internet advertising, travel insurance or other benefit such as MP3 player for free).

Additional Tab. 4 shows the student preferences in choosing a bank. There are criteria of student account, which were offered to students. They should evaluate them on a scale from 1 to 5 from the most important (value 1) to unimportant (value 5).

Tab. 4: Criteria of student account

Code	Criteria / Importance	Important	Rather important	Neutral	Rather unimportant	Un-important
A	Bank location	18%	25%	19%	10%	8%
B	The amount of fees	47%	17%	9%	2%	4%
C	The possible amount of overdraft	2%	8%	14%	18%	38%
D	Deposit interest	12%	19%	28%	11%	9%
E	Benefits	21%	23%	23%	7%	4%
F	Complexity of services	16%	28%	20%	8%	7%
G	Bank reputation	16%	28%	22%	10%	4%
H	Density of ATM network	29%	36%	12%	1%	2%

Source: Authors - own research

These criteria are very important because they decide about choice of student account. It is a reason for testing from a statistical perspective. Frequencies of responses are considered as random samples.

The first step was to test random samples by Lilliefors test and to find out whether they are derived from normal probability distributions. This test is nonparametric and is based on the estimation of the average and variance of the response frequency.

It is based on calculating of the maximum difference between measured and expected frequencies of the normal distribution (it means the test compares the theoretical distribution function with a distribution function of random sample).

We test: Hypothesis $H_0: F_1(x) = F_2(x) = \dots = F_n(x)$ for all x , against

Hypothesis $H_1: F_i(x) \neq F_j(x)$ for at least one pair $i, j = 1, \dots, 8$

where x marks the random samples from A to H

In rejecting H_0 it applies that the parameter $p < 0.05$. Using the software Statistica was done the calculation of parameter p . The following values were obtained (see Tab. 5).

Tab. 5: Lilliefors test of normality

Variable	Tests of Normality (Spreadsheet1)		
	N	max D	Lilliefors
A	156	0,211965	p < ,01
B	156	0,341275	p < ,01
C	156	0,285273	p < ,01
D	156	0,186137	p < ,01
E	156	0,189358	p < ,01
F	156	0,227564	p < ,01
G	156	0,221011	p < ,01
H	156	0,254539	p < ,01

Variable from A to H see Tab. 4. Source: Authors

Lilliefors test showed that p values are even smaller than 0.01 (see Tab. 5) and that is why we reject hypothesis 0 (H_0). The data are not from a normal probability distribution.

Because the random samples (from A to H) do not originate from the normal probability distribution, the Kruskal-Wallis test must be used to compare the importance of individual criteria.

We test: H_0 : All the random samples have the same probability distribution.

H_1 : At least one couple of random samples have different probability distribution

Tab. 6: Kruskal-Wallis test for comparison of criteria importance

Depend.: Var1	Kruskal-Wallis ANOVA by Ranks; Var1 Independent (grouping) variable: Var2 Kruskal-Wallis test: H (7, N= 1248) =304,6487 p =0,000		
	Code	Valid	Sum of
A	101	156	98748,0
B	102	156	59532,0
C	103	156	155377,5
D	104	156	111462,5
E	105	156	91343,0
F	106	156	97576,5
G	107	156	96105,0
H	108	156	69231,5

Source: Authors

The test was conducted at a significance level $\alpha = 0.05$. The calculation (Tab. 6) showed p values of test in high $p = 0.000$ and the parameter $p < \alpha$ consequently we refuse H_0 . That is why we can say that the random samples do not have the same probability distribution.

In the table below are stated the multiple comparisons of p values. The pairs of criteria with the value more than 0,05 have the same importance (significance level $\alpha = 0.05$).

Tab. 7: Multiple comparisons of „p“ values

Depend.: Var1	Multiple Comparisons p values (2-tailed); Var1 (kubenska1.sta) Independent (grouping) variable: Var2							
	A	B	C	D	E	F	G	H
A		0,000 000	0,000 000	1,000 000	1,000 000	1,000 000	1,000 000	0,0000 99
B	0,000 000		0,000 000	0,000 000	0,000 016	0,000 000	0,000 000	1,0000 00
C	0,000 000	0,000 000		0,000 000	0,000 000	0,000 000	0,000 000	0,0000 00
D	1,000 000	0,000 000	0,000 000		0,044 115	0,816 654	0,443 768	0,0000 00
E	1,000 000	0,000 016	0,000 000	0,044 115		1,000 000	1,000 000	0,0143 94
F	1,000 000	0,000 000	0,000 000	0,816 654	1,000 000		1,000 000	0,0002 38
G	1,000 000	0,000 000	0,000 000	0,443 768	1,000 000	1,000 000		0,0006 80
H	0,000 099	1,000 000	0,000 000	0,000 000	0,014 394	0,000 238	0,000 680	

Source: Authors

The following tests (Kruskal-Wallis) tested the homogeneity of these groups:

Group 1: A, D, E, F, G ($p = 0,0079$) \Rightarrow A, E, F, G ($p = 0,6116$),


Group 2: B, C ($p = 0,000$),

Group 3: B, H ($p = 0,0037$) – this result contradicts to multiple comparisons,

Group 4: C, H ($p = 0,000$).

These tests showed that some criteria have an equal importance from a statistical point of view. Even despite of differences in their arithmetic average. Students evaluated the criteria from 1 to 5, (where the value 1 indicates the highest importance and the value 5 the lowest importance). On the same level (the same importance) are the criteria A, F, G and E. The following is order of criteria according to importance (see Tab. 8).

Tab. 8: Importance of student account criteria

Importance	Code	Arithmetic average	Criterion
high  low	B	1,72	The amount of fees
	H	1,87	Density of ATM network
	A, E, F, G	2,56	Bank location
		2,51	Benefits
		2,45	Complexity of services
		2,35	Bank reputation
	D	2,83	Deposit interest
C	4,05	The possible size of overdraft	

Source: Authors

The result of survey showed an interesting fact, namely, that the students are reasonably interested in the amount of charges associated with the keeping of account at the first place (see tab. 8) and also in easing of access to cash (density of ATM). Although the possibility of card payments is increasing, we still have to pay in cash in many shops and institutions. In this area the Česká spořitelna has a great competitive advantage (highest density of ATMs network). But nowadays in the time of internet banking the bank location may not be the key factor for all clients. Without discussion - the future belongs to non-cash payments. As shown in Tab. 1, all bank offers internet banking included. Despite of differences in arithmetic average of criteria ranking (2.56, 2.51, 2.45, 2.35) in the same position appeared complexity of services, the bank's reputation and benefits associated with keeping of account - these are opportunities for competitors. Surprisingly the benefits are not the ones of the main criteria. And for students the size of an overdraft is not even the key factor, although one might expect that it would be used to cover fluctuations in incomes and expenditures of students.

6 Conclusion

The competitive environment forces the banks to adapt their products to their clients. Student accounts are a way to gain customer earlier than the others, it's a way to win the competition. But it is important to gain the clients as well to be able to keep them, because as many authors state: "The enhancement of existing relationships is of pivotal importance to banks, since attracting new customers is known to be more expensive." [7, similarly 4, 11]

The result of survey showed that the students think rationally and plan to use the account mainly as a regular debit account. If the bank wants to obtain the students, it should follow the way of low fees. This recommendation is not related only to the student accounts. Current account offers the standard conditions and does not include the benefits of student accounts. The question is how many clients - the students retained by the banks after the transition from student account to a current account (after graduation or after reaching of age border).

There is the absence of research in the area of student accounts. There are no reputable studies for description of students and their approach to financial products in the Czech Republic although without information is not innovation and without innovation is not competitiveness as Myšková states: “Currently, companies seeking to ensure its competitiveness through innovation. These activities are necessary for survival and growth.”[9]

The main benefit of this paper is presentation of new information about customer behavior of students at financial market. There was made the scale of importance of student account criteria based on the statistical methods. On the base of this information the banks can re-value the parameters of the student accounts. Presented findings are based on own investigation.

Acknowledgement

This article was prepared in relation to the project IGA UPCE SGS - SGFES03.

References

- [1] Barclays PLC, HSBC Holdings PLC, HBOS PLC, AIB Bank, Bank of Ireland. SEGMENTATION - STUDENTS: Catching them early. In *Bank Marketing International*. London: Lafferty Ltd., 2005. pp. 14-15. ISSN 07912765. Available from <<http://search.proquest.com/docview/198698092?accountid=17239>>
- [2] BRUNO-BRITZ, M. Reading customers' minds -- predictive analytics tools are helping banks understand customers' behavior and meet their unique needs with tailored products and services, improving customer retention as a result. In *Bank Systems & Technology*, vol. 45, issue 5, 2008. ISSN 10459472. Available from <<http://search.proquest.com/docview/213204074?accountid=17239>>
- [3] ČESKÁ NÁRODNÍ BANKA [online]. Cited 2011-04-30. Available from <https://apl.cnb.cz/apljerrsdad/JERRS.WEB24.SUBJECTS_COUNTS_2>
- [4] KOTLER P. *Marketing Professional services*. Prentice Hall Press, 2002. ISBN 073520179X
- [5] KOTLER, P., KELLER, K., L. *Marketing management*. Praha: Grada, 2007, p. 440. ISBN 978-80-247-1359-5.
- [6] LENDEL, V., VARMUS, M.: Proposal of Model for Creating Innovation Strategy. In *Scientific papers of the University of Pardubice*. Series D. Faculty of Economics and Administration. 16 (1/2010). ISSN 1211 – 555X
- [7] MAVRI, M., & IOANNOU, G. Customer switching behaviour in Greek banking services using survival analysis. In *Managerial Finance*. Vol. 34, no. 3, 2008 pp. 186-197. ISSN 03074358
- [8] McCARTHY, E. J., *Basic Marketing*. IL Homewood: Irwin, 1964, pp. 106-134

- [9] MYŠKOVÁ, R. 2003. Podnik – ekonomický i sociální systém. In *Scientific papers of the University of Pardubice*. Series D Faculty of Economics and Administration. 8 (2003). ISSN: 1211-555X.
- [10] NEILSON, L. C., CHADHA, M. International marketing strategy in the retail banking industry: The case of ICICI Bank in Canada. In *Journal of Financial Services Marketing*. Vol. 13, issue 3, 2008, pp. 204-220. UK, London: Palgrave Macmillan. ISSN 13630539
- [11] SCHMIDT, S., J. Collaborating with Clients to Shape Your Services. In *Law Practice Magazine*. Vol. 36, no. 3, May/June 2010, p. 58. Available from <http://www.americanbar.org/publications/law_practice_home/law_practice_archive/lpm_magazine_articles_v36_is3_pg58.html>
- [12] STÁVKOVÁ, J. a kol. *Trendy spotřebitelského chování*. Brno: MSD, 2006. p. 9. ISBN 80-86633-59-4.
- [13] TANG, J. Competition and innovation behaviour. In *Research Policy*. Vol. 35, issue 1, 2006, pp. 68– 82. ISSN 0048-7333.
- [14] VRONTIS, D., TRASSOU, A. Adaptation vs. standardization in international marketing - the country of origin effect. In *Journal of Innovative Marketing*. Vol. 3, issue 4, 2007. pp. 7. - 20. ISSN 18142427 Available from <<http://search.proquest.com/docview/216589590?accountid=17239>>
- [15] ZAMAZALOVÁ, M. a kol., *Marketing*. Praha: C. H. Beck, 2010, p. 29, ISBN 978-80-7400-115-4.

Contact Address

Ing. Michal Kuběnka, Ph.D.

Institute of Economy and Management

Faculty of Economics and Administration, University of Pardubice

Studentská 84, 532 10 Pardubice, Czech Republic

Email: michal.kubenka@upce.cz

Phone: 466 036 175

Bc. Petra Ptáčková

Institute of Economy and Management

Faculty of Economics and Administration, University of Pardubice

Studentská 84, 532 10 Pardubice, Czech Republic

Email: ptackova.petra@seznam.cz

Doručeno redakci: 30. 04. 2011

Recenzováno: 21. 07. 2011

Schváleno k publikaci: 09. 08. 2011