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# PROCESS STP, CONSUMERS' BEHAVIOR IN THE FINANCIAL MARKET

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## OUTLINE OF THE LECTURE

1. Process STP
2. Segmentation
3. Targeting
4. Positioning



## 1. PROCESS STP

- The process of segmentation, targeting and positioning is central to effective strategic marketing.



**The customers are not the same!!!**

## PROCESS STP

- **Segmentation** is concerned with the process of identifying different groups of customers who are similar in ways that are relevant to marketing. In order to segment a market, it is important to understand who customers are, why they behave in particular ways and how they may be grouped together.
- **Targeting** decisions can then be made based on the range of identified segments. In order to choose the most appropriate target markets, it is necessary to understand what different segments want and the extent to which the organization can supply those wants.
- **Positioning** refers to the way in which an organization tries to communicate its value proposition to its target market in order to convince customers that it has a distinct offer. In effect, positioning is about the way in which the organization tries to build and communicate its competitive advantage.

## 2. SEGMENTATION

- **Market segmentation** is aggregating prospective buyers into group that (1) have common needs and (2) will respond similarly to a marketing action. The groups that result from this process are **market segments**, a relatively homogenous collection of prospective buyers.
- **Segmentation** is the division of consumer markets into meaningful and distinct customer groups.
- **Segmentation** = „tailor made“ products ⇒ customizing.
- The consumers in the segment respond in the same way to a particular marketing mix – **homogenous**.
- The consumers within the segment have to react in a clearly different way from other groups of consumers to the marketing mix on offer – **heterogeneous**.
- The group has to be **large enough** to provide the return on investment necessary to the organization.
- The size, purchasing power, and characteristics of the segments can be **measured – measurable**.
- The segments can be effectively reached and served – **accessible**.
- Effective programs can be formulated for attracting and serving the segments – **actionable**.
- The market of financial services = segmented market!

## SEGMENTATION OF FINANCIAL SERVICES CUSTOMERS

- It is created by middle-level managers.
- **According to subject:**
  - population (B2C) ⇒ **retail banking**
  - businesses, government and municipal authorities (B2B) ⇒ **corporate banking**
- **According to an individual approach:**
  - customers of **"mass market,"**
  - „wealthy individual" clients ⇒ **private banking**



## SEGMENTATION OF B2C MARKET

- Mainly used **demographic criteria**  $\Rightarrow$  age (life cycle), income, education, profession, sex, religion, ...
- There are also used **other segmentation criteria**  $\Rightarrow$  lifestyle, loyalty, financial literacy, region, preferences financial of products ...



## SEGMENTATION ACCORDING TO CUSTOMER LIFE CYCLE

<b>1. Low savings</b>	<b>Supported by parents</b>	Income is very low, there is no need to make major financial decisions, ...
	<b>Young and „single“</b>	Almost no savings, financial decisions are only short-term (eg. finance a vacation, or a car etc.), ...
<b>2. Loans</b>	<b>Young couple without children</b>	For the first time income exceeds the expenses, it manages to produce smaller savings, financial decisions related to the purchase of home equipment, living is financed with loans, mortgage, ...
	<b>Married couple with children</b>	Common family income is higher, but expenses significantly increased, therefore the two financial flows are mostly approximately in balance. The improvement of house equipment or moving to better address, consumer purchases are spent on children's clothes, toys, baby equipment, education, .... People in this stage tend to conclude a life insurance, ... At this stage it is important to control liabilities - leasing, loans, mortgages.
<b>3. Investments</b>	<b>„Empty nest“</b>	Common income is now significantly higher than family expenses. Surplus of funds, most people invest money into real assets and securities. There is growing importance of financial planning for retirement age.
<b>4. Money spending</b>	<b>Retirement</b>	The income is decreased, the expenses are higher - retirement savings drawing. the Expenditure are connected with healthcare and medical products. People in this period solve the form of inheritance.



## SEGMENTATION ACCORDING TO INCOME

### UPPER GROUP

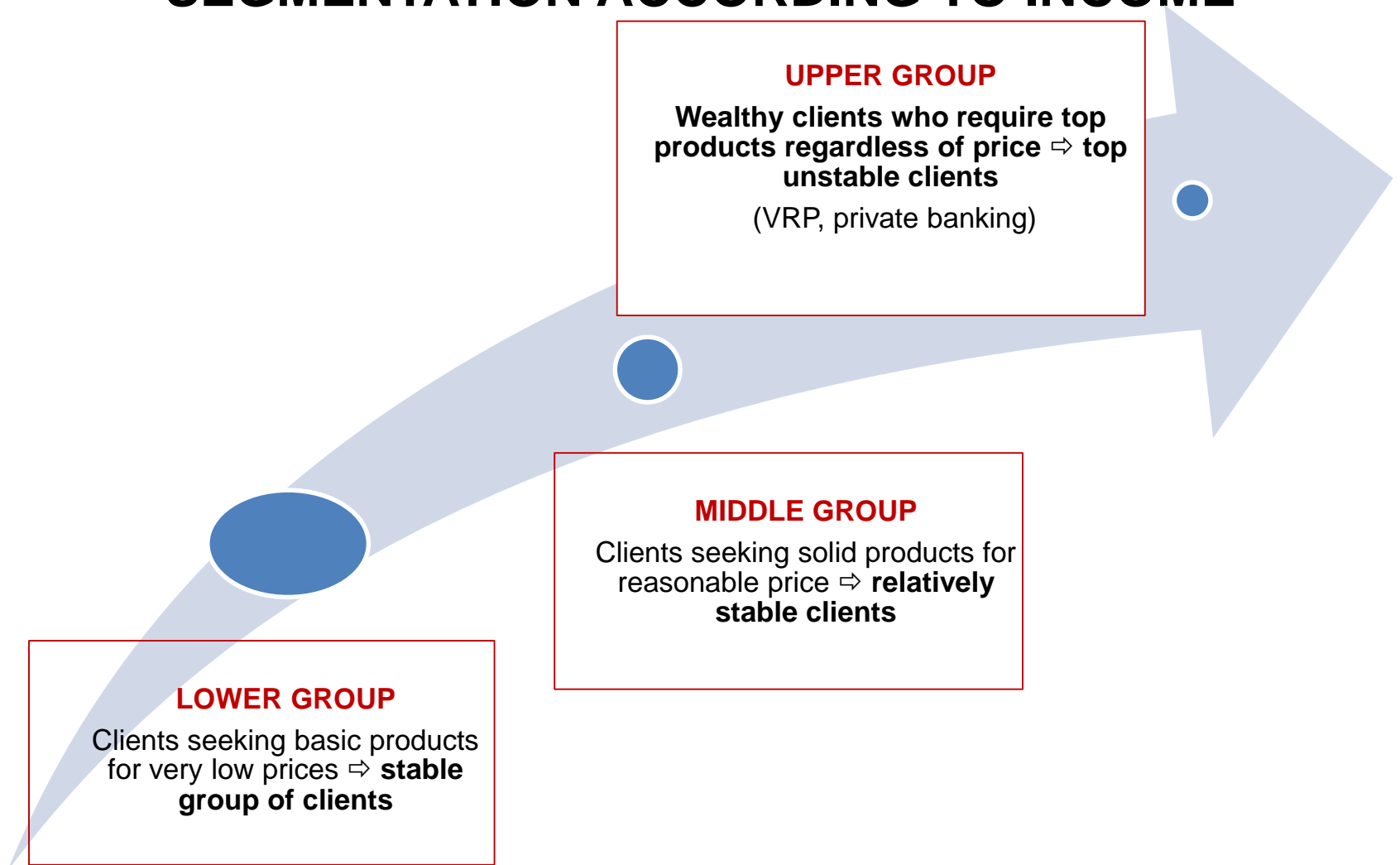
Wealthy clients who require top products regardless of price ⇒ top unstable clients  
(VRP, private banking)

### MIDDLE GROUP

Clients seeking solid products for reasonable price ⇒ **relatively stable clients**

### LOWER GROUP

Clients seeking basic products for very low prices ⇒ **stable group of clients**



## SEGMENTATION OF B2B MARKET

- According to legal status, nature of business, size, economic sector, property ...
- These B2B clients may not be classified as accurately as physical entities because the contact with them is not so schematic, it is more individual.



## PRIVATE BANKING

- **Private Banking** = „To the bank using different entrance.“
- **Target audience:** owners of companies, top managers, owners of prosperous societies, family members, athletes, celebrities and inheritors, ...
- A typical client in the Czech Republic: a man between 45 and 65 years, conservative, seeking certainty.

## PRIVATE BANKING

- Private banking is a comprehensive portfolio of services. In general, the conventional banking services, asset structuring and management, financial advisory, tax advisory, transaction banking, the establishment of international accounts, advice within business setting up or consultation of family financial needs.
- Private banking also contains special tasks, such as buying gold or arranging contact with experts of art, the sale of real estate, holiday arrangement, selection of studies for clients' children and so on.
- **The private banking includes better interests, currency exchange rates and additional services related to bank accounts and access to a detailed analysis of the markets. The offer also includes alternative investments (into the soil, art, wine and so on).**

## PRIVATE BANKING

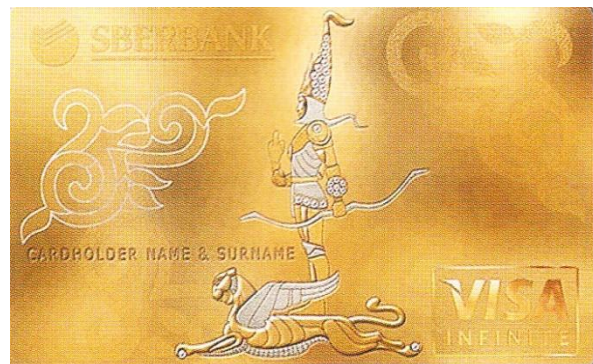
- Private banking is designed for clients with a higher volume of available assets who require a comprehensive, premium and individual approach to their financial needs.
- Personal approach of private banker to clients while maintaining maximum discretion. Meeting with private banker takes place in a place and time that is favourable for clients.
- According to the current requirements of clients it is preparation of product solutions designed to protect and enhance their wealth.
- Services in the area of investment, commercial and transactional banking.
- **The new desired service is so called "Concierge" that organizes diverse leisure activities for individual private banking clients.**

## BASIS FOR SUCCESS OF PRIVATE BANKING

- Client's loyalty.
- Satisfied client brings more clients.
- A relationship that works, brings a stable income and fewer problems (about 8 % of private clients change the bank every year).
- Private banking should be discreet, it should save time and should bring some interesting value. The important role is played by private bankers!



## PRESTIGIOUS CREDIT CARDS – PRIVATE BANKING



## 3. TARGETING

- Targeting is centred upon the decision about which segment(s) an organization decides to select for its sales and marketing efforts.
- Target marketing is where the organization identifies market segments, selects one or more of them, and develops products and marketing mixes tailored to each.
- **Undifferentiated marketing**
- **Differentiated marketing**
- **Concentrated marketing - Personalized marketing**
- Market niche?!
  - **Allianz Global Assistance**





## 4. POSITIONING

- Marketing positioning is arranging for a brand or product to occupy a clear, distinctive and desirable place in the minds of targeted customers relative to competing products or brands.
- **Differentiation of the basic product** (length of the loan, interest rates, requirements for obtaining a mortgage,...).
- **Differentiation peripheral product** - additional services (opening hours, accessibility - parking, counseling, skilled and dedicated staff, the number of ATMs, IT utilization rate etc.).
- How to be different? Inexpensive, convenient, successful, bright, modern, family, productive, popular, wisdom, security, ...
- Today, financial service – commodity.



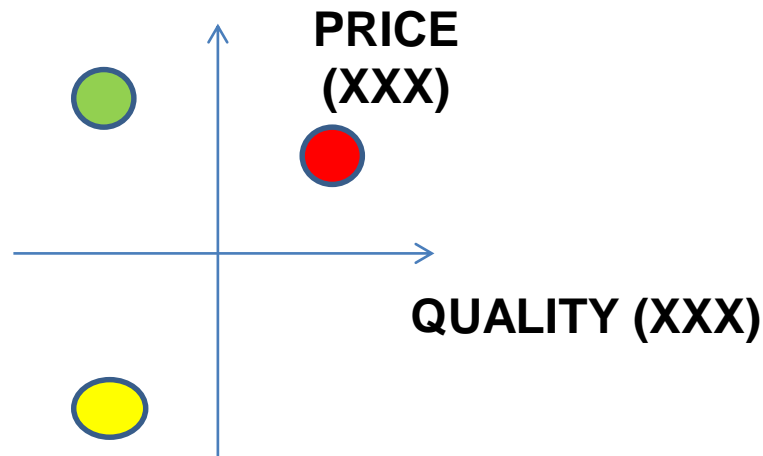
## THE TYPES OF INCORRECT POSITIONING

- **Underpositioning** - in this situation consumers have only a very limited perception of the brand and are unaware of any distinguishing features.
- **Overpositioning** - consumers have a perception that the brand is only active in a very focused area, when in fact the brand covers a much broader product range.
- **Confused positioning** - consumers have an unclear view of how the brand relates to competitive offerings.



## POSITIONAL MAP

- This is a visual representation of consumer perceptions of the financial brand and its competitors using attributes (dimensions) that are important to consumers. Perceptual maps can also be valuable in identifying the strengths and weaknesses of brands as perceived by consumers. Such findings can be very revealing to managers, whose own perceptions may be very different from those of consumers.
- **The key steps in developing a perceptual map are as follow:**
  - Identify a set of competing brands.
  - Identify important attributes that consumers use when choosing between brands using qualitative research.
  - Conduct quantitative research where consumers score each brand on all key attributes.
  - Position of brands on two-dimensional map(s).



## REPOSITIONING

- Occasionally a product or service will need to be repositioned because of changing customer tastes or poor sales performance.
- Repositioning involves changing the target markets, the differential advantage, or both. Using product differentiation and target market as the key variables, four generic repositioning strategies are shown below.

	<b>Unchanged target market</b>	<b>Changed target market</b>
<b>Unchanged product attributes</b>	Image repositioning	Market repositioning
<b>Changed product attributes</b>	Product repositioning	<b>Total repositioning</b>

## REPOSITIONING X REBRANDING

- Reposition if the company name is right but the message and/or image is wrong.
- Rebrand if your company name causes confusion.
- Both repositioning and rebranding keep a company current, relevant, and profitable!

