

BANKING PRODUCTS AND SERVICES ACCORDING TO CLIENTS' REQUESTS

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Introduction

The clients' expectations in terms of banking services are taken as standards to compare the next experiences.

According to this concept, two issues appear as being really important: the wanted service and the appropriate service. The first one can be defined as being the level of the service the client wants to get for the right price he pay. The second one is the level of the service the client is ready to accept; it gets closer to the level of the wanted service.

The quality steps to be followed are the next one:

1. Identifying the clients' needs and expectations and assessing the real perception of those needs by the bank.
2. Digesting this perception
3. Applying and managing the ways to furnish those services.
4. Building the advertising of the banking product

A mistake in each and every one of these steps could be a cause of non-quality of a certain banking service.

The product policy: its specificity in the banking system

It's well known that the banking activity itself generates concepts for new products: the possibility of creating new products is practically unlimited but is restricted by regulation in order to protect the national economy against potential excesses.

Three product policy related observations must be made:

- The nature of this policy is related to the wide diversification of banking products and services. This diversification added to banks' development;
- The importance the public power preserves from the beginning of a certain product until it is over. The products are defined, controlled and modified by the public power;
- The participation of clients in creating and developing certain products. In fact the perception of banking products and service depends on how the clients are involved in developing those products and services.

The launch of a new banking product can result from two approaches: a technical one and a commercial one. Both approaches have to happen in the same time. A commercial approach may drive to a lack in „fez ability” and technical approach may not meet market expectations. The success of a new product can come only from a combination of those two approaches.

On the other hand, the clients' ignorance concerning the technical side of a banking product could have bad repercussions on a good assessment of clients' real needs. In such a case, the defining process of clients' needs could be influenced mainly by the behavior of the contacting staff of the bank rather than by the clients' real needs. In the best case only the needs perceived by the bank's staff will be satisfied and not the real ones. The marketing itself as a concept that puts the client first seems hard to be achieved if the marketing does

reflect the bank's staff wishes rather than those of clients.

When bankers fail to meet clients' expectations they blame structural and conjectural circumstances. The structural circumstances are related to fiscal environment which are a very sensitive issue for clients. The conjectural circumstances are related to some high rates of return the banks are offering for some products; those rates of return put the clients to focus on those products rather to those corresponding to their real needs. But every bank remains free to make its own decisions.

The banks' offers changed dramatically in recent times: some of them are directly related to regulation system and some of them amplify evolutions from other economic sectors due to the recent achievements in communication technology.

The effects of new technologies are present in the visible part of banking activity as well as in its invisible part for the client. Those effects are present mainly in the „back-office” activities of banks by improving them. More else, due to those new technologies the banking offer in products and services improves also, in terms of innovation and globalization.

About a new banking product

The product we propose is basically a banking product. Its main purpose is in offering attractive income packages for workers and specialists working in the construction economic area. The goal is to maintain this workforce into the country's borders. The Romanian economy isn't yet in a position to offer salaries at the level that western developed countries do. The fundamentals of this product are consisting in offering some daily comfort services instead than offering large amount of cash. The Romanian economy isn't yet in a position to offer rally attractive salaries packages like western developed countries are doing. We shall consider attracting some public funds where possible.

The main target of this product is construction firms as well as their beneficiaries. Basically, the product consists in offering loans at low costs (interest rates) to construction entrepreneurs who can allow them to build some housing facilities for their staff considering the situation they have to make activities in some specific area or areas.

The product fundamentals criteria

Basically, this product could have the next fundamentals:

- Geopolitical criteria: Romania is a NATO and UE member so she is offering all guaranties becoming from this situations. Still, Romania remains an emerging economy and will still remain this way for a long period to come. We have to expect that the housing and real estate segment, even that they might suffer some corrections (maybe some severe ones) in terms of prices on short term, on long term is likely that this economic segment will offer good rates of return.

- Macroeconomic criteria: Romania have scored in the last 5 years good advances in terms economic growth, but she accumulated a really wide current account deficit and that make her very vulnerable to some sudden capital outflows. Those outflows could bring some shortages at the level of existing cash on the housing market. This way, we could see contractions in the activity of construction firms. We have to add to the picture the depopulation trend that Romania is experiencing. The picture drives us to the idea that existing demand as well as solving demand could diminish. The only productivity reserve Romania still has at her disposal is her cheap and well instructed work force. In this kind of respect we assess that a significant volume of foreign investments focused on producing some high added-value products could come into Romania. Considering all these we also assess that the housing activity will not suffer too much on the actual crisis. The housing activity

will commute from home building to office-buildings and industrial as well as logistic facilities.

- Microeconomic criteria: There are already in Romania a lot of specify geographic areas that are attracting investors in order to produce high added-value products. We are talking about the big cities neighbour-related areas which we will call them „favorite areas”. We will not comment further but we add that in Romania still exist a lot of defavorized regions. The favorite areas attracted already a lot of investments and in these areas a lot of goods and services are already produced. So, the living standards in those areas are really elevated. So, the construction work force will also benefit from this situation. It is widely expected that foreign investors to put their money in those areas and, of course, to build in this areas lots of industrial and office facilities. So, we assess that those „favorite areas” are well delimited and, of course, those areas are likely to attract construction activities.

- Technical criteria: At a first sight we assess that being earning-producing for the construction entrepreneurs to bring their work force into those interest areas and to fix it for a while in these areas. Due to the lack of working force in the construction domain it remains highly possible that entrepreneurs will try to form, on their own expenses, some fresh work force as well as to bring new work force from poor areas or – why not – from poor countries. Hosting these new workers in hotels is out of discussion because of high costs and hosting them in some low-cost facilities is also out of discussion because this kind of situation will not attract the work force due to the fact that western offered salaries are far more attractive. We see as a possible solution building some decent-level site housing facilities which are not suppose to be very expensive but they have to be supposed to offer full access to utilities like current cold and warm water 24 hours a day, TV. Internet access at least in some unique large rooms placed in each and

every single building. So the entrepreneur has to focus more on issues related to a short term use of those buildings and less on the external aspect or on some others long-term related issues. Also, the entrepreneur will have to take into account that those buildings have a time - limited life duration so, a rapid and low cost demolition has to be considered. The possibility of attracting some UE structural funds in order to finance some sort of national program of building such kind of short-term facilities also has to be taken into account.

- The very high level of probability that entrepreneurs will bring some cheaper work force from overseas has also to be considered. These workers have to be hosted and the costs related to host them have to be as low as possible. In this kind of respect we are not seeing any possibility but to build such kind of „hosting base” facilities.

- We have to admit that we don't see any solutions for the low isolated issues other than the old classic site facilities. But even their comfort level has to be upgraded.

Product Fezability

The financial product we are referring to is about facilitating the access to credit from banks (better interests, longer return terms, the possibility to negotiate both return terms and the amount of cash related to them, etc.) in order to help entrepreneurs offer a real growth to the wages they pay. Basically, if we're to consider the current cash shortage, there's the desire to matting or marginally increase the current cash side, while more significant rises to include better social comfort. It's true these increases will eventually imply increasing the work force cost, but in the short term, they do not require cash, rather investments that are made with borrowed money, and that can, in the end, produce profit from their exploiting as is (operational profit), or, in certain favorable cases, can become assets with increased value which can be

sold to other economic entities or by using them as guarantees for future loans from the bank.

Certain jobs in the construction can take a longer time, case in which workers and specialists would be tempted to bring their families to the respective area. This state of facts can lead to the necessity to build schools, health and entertainment facilities. It is the case to point out that in such a situation governmental funds can be involved, at the very least from the education and health perspectives, that are publicly financed and are national priorities.

This kind of limited duration complexes, can serve more than one construction site, if placed in key points, and can attract by themselves many more investments, most especially logistics, infrastructure and communications. We are basically talking about optimizing access to and from the residential complex in terms of traffic, as well as improved communication possibilities for both professional and personal use.

The bigger picture as described wishes itself as a solution of healthy economic growth of the real estate segment, which in term brings with itself healthy growth for the entire economy.

Put short, we can say that banking product we propose is a way of loan based financing of some of the costs related to wages of the real estate segment. Of course, salaries have a flexible behavior and are continuously becoming more flexible (the workforce becoming more flexible all the time), so the mentioned baking product is subject to change. Thus, preferential interests awarded to entrepreneurs in the construction segment with the above described purpose, will take into account the geographical location of the construction sites that can benefit from such housing complexes and the importance and feasibility of the objectives that are to be completed on these sites. Also to be taken into account are the quality and durability of each housing complex in term in order to have the best assessment re-

garding recovering the investment made in terms of constructing them.

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Guarantees insurance

An essential issue with any banking product are the constitutions of guarantees. We consider both cautious and yielding producing that the banks that offer the product to demand guarantees, other than those regarding the current construction project. Thus, banks will diversify in portfolio exposure with assets gained by guarantees related to product and will reduce their system risk. Banks will examine the possibility for the guarantees to be constituted by both the contractor and the beneficiary, with the goal of minimizing some eventual conjectural risks related to real situations such as natural catastrophes or real estate market fluctuations. This being said, the level of the interest will be correlated both with the quality of the guarantees and the cost of building the complex. The latter are di-

rectly related to the comfort levels awarded to the workers. It's becoming obvious a correct assessment of the general quality of the work force to be housed in the financed complexes is absolutely necessary in the sense that it brings along a better correlation between the work force quality, salary packages and the comfort offered in the complex. For this reason, it is necessary to analyze to constructor's relationship to the work force as well as his ability to hire quality staff.

A key factor in the decision to select customers for the offered banking product is related to the analysis of the insurance method both for the objectives the contractor serves (the level and quality of the beneficiary) and the complex itself. Where it is required, both the beneficiary and the contractor are obliged to ensure their activity by high profile ensures, and given the nature of the situation, health and life insurance for the employees.

In some cases, when certain risks related to the contractor's activity and profitability expectancy are hard to estimate or prove to be too high, banks can ask both the contractor and the beneficiary to re-ensure, and show papers to prove it.

Profitability related issues

The banking product proposed must be profitable. The involvement of banks in the real estate segment has been made most especially by loans to consumer with the goal of constructing or buying buildings, mostly habitable ones. Banks have also loaned various economic agents for office buildings, since the specific market for them has proved to be a very profitable one. This being the case, banks must estimate in what degree the contracted buildings can be sold for a profit on the real estate market, so that the contractor also shares a part of the profit. The proposed banking product is distinguishable by the novelty of addressing itself directly to contractors with the result of reducing their costs that have positive influences over the profits that he later makes on the real estate

market. Thus, the banking product achieves 2 objectives:

- a reduction of the contractor's exposure on liquid assets and replacing it with exposure on credit with reasonable costs.

- facilitating the liquid asset generation on the real estate market with favorable consequences for the whole economy.

The possibility of the difference between interests awarded to contractors preferentially can be recovered from other contractors on more favorable markets. We estimate that the success of the of introducing this product to the banking system will have favorable consequences for the whole economy for the reason that, by using market methods, it identifies the inflationist sources on the real estate segment and tempers them. Further more, by directly financing the contractors, the product will help with liquid assets on the real estate market and could prevent speculative downfalls of prices on this market.

Governmental funds are a possibility that remains to be considered. We showed earlier that such complexes can also bring health and education facilities. By the very nature of the credited activity these schools and health care facilities are also kind of government's issues. Depending on the importance of these complexes play on the regional and national economic context, both local and central authorities can consider financing the above mentioned facilities appropriate. Thus contractors may find themselves in the position of being able to find themselves a secondary loan source so that in real terms the operational costs decline even further. They would bare less pressure on their own liquid assets and banks would perceive this state of fact as risk diminishment, which in term leads to improving the introduced banking product.

Conclusions

Maintained that these temporary complexes are placed favorably due to a

correct estimate of the market and good logistical studies, they can decisively influence in dinamizing the real estate segment from the specific geographical location and would also lead to creating a more liquid real estate market. This state of fact can generate a cascade effect for the entire region, to the point that contractors, with the increased liquid assets at the end of their activity in the region, can find possibilities for selling the complex to an interested economic entity. Such favorable conditions could bring the contractor to the position of being able to, within the terms specified by the product contract, pay back the loan ahead of its due time, favorable both for the bank and his own activity.

The only possibility for an emerging economy as Romania, to remain competitive is maintaining the work force costs low. Provided Romania is an open economy, it cannot prevent work force migration. To this paradigm the only foreseeable solution is increasing the salary packages by financing the growth with loans. This sort of financing can bring the only possible liquid asset easement, the one directly related to the time factor. We consider that the banking product in subject is within the class of rare economic solutions that have a direct influence over this essential issue in any economy.

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