

Impact of digitalization on consumer behaviour and marketing activity in financial markets

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Abstract. The article reveals the impact of digitalization of the economy on the behaviour of consumers of financial services: increasing the relevance of financial needs, increasing the consumer independence, changing the model of consumer behaviour. The directions for improving the marketing activities of banks were identified: a shift in focus from image advertising to product advertising, and increased attention on quality characteristics of financial products.

Key words: financial market, digital economy, consumer behaviour, financial needs, marketing of financial services, advertising of financial services, quality of financial services

1 Introduction

The development of the digital economy is nowadays one of the most important factors of economic development throughout the world.

Perhaps most of all digitalization affects financial markets, especially the banking market. Common problems of transformation in banking in modern conditions were explored by King [1], Wehinger [2], etc., as well as the author of this article [3, 4].

One of the consequences of the digitalization of financial markets is a change in the consumer behaviour. Among studies concerning consumer behaviour change caused by the development of digital economy should be mentioned publications by Lecinski [5], Muller, Damgaard et al. [6], Su [7], etc.

Consumer behaviour changes require increased attention to the quality of financial services. The study of fundamental and applied aspects of the quality of banking services was carried out by Crosby [8], Parasuraman, Zeithaml and Berry [9], Plotnikova [10], etc. Issues of quality assessment of banking services were studied by Novatorov [11], Ikhsanova [12], Mukhamedzyanova [13], etc.

The purpose of this article is to discuss the impact of digitalization on behaviour of consumers of financial services, as well as on marketing activities of financial institutions – specifically, on advertising policy and quality assurance.

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2 Data and methods

Main data sources for the study were analytical materials of the Bank of Russia, domestic and foreign consulting institutions.

Methodological basis of the study was the systematic approach. In the research process, general scientific methods and techniques were used: scientific abstraction, grouping, comparison, etc.

3 Results and discussion

3.1 Changes in behaviour of consumers of financial services

In my opinion, the most important changes in behaviour of consumers of financial services caused by the digitalization of economy include: 1) increasing the relevance of financial needs; 2) increasing the consumer independence; 3) changing the model of consumer behaviour.

3.1.1 *Increasing the relevance of financial needs*

The main factor in formation of consumer behaviour, of course, are needs. The peculiarity of the needs satisfied by financial services is their secondary nature and, as a result, low relevance for many consumers [4]. Material products are able to satisfy the primary needs that arise from the nature of a man as a biological organism and as a member of society – material, spiritual, and social needs. The importance of meeting these needs (for example, such as the need for food, clothing, housing) is obvious to any person, and awareness of them does not require any external stimuli. Producers of material products designed to meet such needs do not have to make additional efforts to explain their purpose.

Financial products cannot directly meet primary needs, their acquisition is for the consumers not an end in itself, but an intermediate step. Financial needs which they satisfy (financing, investing, cash flow streamlining) are of a secondary, derivative nature, their importance to consumers is often not obvious. For example, a person first has a need for housing, but a need for a loan to acquire it can arise only under certain conditions: awareness of the possibility of borrowing, lack of prejudice against using a loan, etc. Thus, realization of financial needs requires additional efforts as well as certain level of financial literacy. Financial needs of many people remain in a latent, dormant state, and need external stimuli to become relevant. The development of information environment of financial market caused by the digitalization of economy is precisely a powerful external stimulus for increasing the relevance of financial needs.

3.1.2 *Increasing the consumer independence*

In addition, with the development of remote banking services (Internet banking, mobile banking), the degree of independence of consumers of financial services significantly increases (up to their self-sufficiency). A consumer gets the opportunity to use financial services on his own, without any help of a bank employee. A financially literate customer in the digital economy can become a “bank for oneself”.

Previously [3], the author of this article hypothesized that the person of the digital economy is no longer just Homo sapiens (an intelligent person who appeared hundreds of thousands years ago) or even Homo economicus (economically-minded person formed in

the conditions of development of the market economy), but *Homo financial* (a person with financial literacy and financial thinking) (Fig. 1).



Fig. 1. A hypothesis of human evolution in the digital economy

Source: Own processing.

In addition to this, the development of Internet services providing information on financial markets dramatically increases the degree of independence and freedom of choice of consumers of financial services. Long gone is the time when, in order to compare the financial services of different banks, a consumer had to visit or ring up them one by one. Today, a consumer sometimes does not even need to explore their web sites – he just goes to the site that integrates information about financial services of different banks. And this leads to the change in behaviour of consumers in the financial market.

3.1.3 Changing the model of consumer behaviour

The traditional model of consumer behaviour in the financial services market looked like this: a client identifies a financial need, then he chooses a bank for service, and then in this particular bank he chooses an optimal financial product for himself (Fig. 2).



Fig. 2. Traditional model of consumer behaviour in financial markets

Source: Own processing.

In the era of digitalization of the economy, the second and third steps switch places: the client first selects the product with the help of Internet, and only after that turns to the institution whose financial product most satisfies the client's need (Fig. 3).



Fig. 3. New model of consumer behaviour in financial markets

Source: Own processing.

The fact that in modern conditions the purchase of a product is preceded by the online research conducted by the customer, was proved, in particular, in a study by Google. This online decision-making moment was called the Zero Moment of Truth [5].

According to ForresterAnalytics, already in 2017 56% of global B2C eCommerce occurred via marketplaces and this will increase to 67% by 2022 [14]. In 2018, the Bank of Russia launched the Marketplace project, the purpose of which is to organize a system of remote retail distribution of financial products and services.

3.2 Changes in marketing activity of banks

Changes in the behaviour of consumers of financial services require adequate changes in the marketing activity of banks – specifically, in advertising policy and in quality assurance.

3.2.1 Returning to product advertising

In the 20th century, the advertising policy of banks went through a certain evolution, which can be seen on the example of changing forms of banking advertising.

- Depending on the advertised objects, there are three main forms of banking advertising:
- product advertising (carried out in order to attract the attention of customers to certain banking services or products);
 - need advertising (carried out in order to awaken the needs of potential customers in banking services);
 - image advertising (aimed not at the sale of a particular service, but at attracting the attention of consumers to a particular bank).

Until the mid-1970s, the dominant form of banking advertising was product advertising. The advantage of this form of advertising was its information saturation: a consumer receives extensive information about a specific financial product. At the same time, there were two significant disadvantages. Firstly, the attractiveness of such an advertisement is rather low: it may be interesting only to those consumers who have already identified specific financial need and are engaged in a targeted search for a product that will satisfy this need; for the rest of the consumer audience, this form of advertising will not be attractive. Secondly, due to the universalization of banking, all banks offer the same products, and in product advertising information about the service provider is secondary, not memorable, and by the time the client realizes the need for the product he has seen in advertising, he can simply forget about what bank published it.

In order to solve the first problem, banks began to use the second form of advertising – need advertising, which contains information not so much about the service itself as about the final need, which the customer can satisfy as a result of the acquisition of this service. This found expression, in particular, in giving a special name to services aimed at meeting certain final needs (for example, car loans, holiday savings, etc.). Such advertising attracted better attention, but the information about the publishing bank was still poorly remembered by consumers.

Therefore, at the end of the 20th century, under conditions of increasing competition in the banking market, image advertising became the main form of bank advertising. Such advertising does not contain specific information about a particular banking product, but is intended to draw the client's attention to the bank's brand and form its favourable image.

This approach worked well under the conditions of the old model of consumer behaviour, when a client first chose a bank, and then a product. Nowadays, when these stages of consumer choice are reversed, the advertising policy again has to focus not on a bank image, but on a banking product.

3.2.2 Focusing on quality

In this regard, the quality of banking services becomes the main instrument of bank marketing, and the problem of determining its criteria is one of the most important problems of banking theory and practice.

The problem of the quality of banking services is still among the discussion. The presence of different points of view on this issue is not surprising: since banking services (like any other services) are by definition intangible, their quality is largely a subjective category.

For example, in American literature for many years, quality of banking services was associated with courtesy of service. Friendly and qualified service was the main criterion for choosing a bank for most consumers. However, with increasing attention to this problem, other approaches to the definition of quality began to appear. For example, Crosby [8] wrote that quality of banking services is determined by the compliance with requirements of consumers.

Hence, it is important to determine the criteria for the quality of banking services. The quality criteria in the real economy sector are extensively studied, and do not cause any particular discussion, since material products are tangible and its quality can be measured objectively with the help of special equipment. Financial services are intangible and it is quite difficult to form a single set of quality criteria for them.

I share the methodological approach proposed by German experts [15] that looks at the criteria for the quality of banking services from two perspectives: from the point of view of a bank and from the point of view of a client. According to this study, from the bank's point of view, the quality was determined by the speed of internal work processes, by the level of costs for error correction, by the efficiency of work processes, by the level of motivation of employees, by labour productivity, by the level of credit risk, etc. From the client's point of view, the criteria for the quality of banking services were: speed of service, urgency of operations, presence of errors and inaccuracies, office hours of the bank, quality of consulting (depth, active or passive), personal side of relations with the bank, etc.

Developing this approach and considering that for each type of banking services the set of criteria is specific, following quality criteria can be proposed [16] (Table 1).

Table 1. Quality criteria for the most common banking services

| Banking services | Quality criteria | |
|---------------------------------|---|--|
| | from the bank's point of view | from the client's point of view |
| 1) credit services | - the state of the loan portfolio; - the endowment of the loan process with financial resources; - interest margin, etc. | - the initial parameters of the loan; - the speed of consideration of the loan application; - results of using the loan, etc. |
| 2) deposit services | - the cost of attracting financial resources; - the competitiveness of the proposed conditions compared to competitors; - the risk of early withdrawal of funds by the client, etc. | - the possibility of effective investment of free funds; - the quality of consulting; - guaranteeing the safety of funds, etc. |
| 3) cash and settlement services | - the number of errors; - the cost of correcting them; - the duration of operations, etc. | - the level of digitalization of services; - the speed of payments, etc. |

Source: Own processing.

4 Conclusion

The most important changes in behaviour of consumers of financial services caused by the digitalization of economy are: increasing the relevance of financial needs; increasing the consumer independence; changing the model of consumer behaviour.

With the development of remote banking services, the degree of independence of consumers of financial services increases up to their self-sufficiency. A financially literate customer in the digital economy can become a “bank for oneself”.

The development of web services providing information on financial markets increases freedom of choice of consumers of financial services which leads to the change in the model of consumer behaviour. Nowadays a customer first selects the product with the help of Internet, and only after that turns to the institution whose financial product most satisfies the client’s need.

The directions for improving the marketing activities of banks are: a shift in focus from image advertising to product advertising, and increased attention on quality characteristics of financial products.

In determining the quality criteria, the bank’s point of view and the client’s point of view should be distinguished.

Directions for further research in this area may be: detailing the quality criteria for certain types of banking services, as well as determining the significance (weight) of each criterion.

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