

# Case instructions – alpen bank

[Business](#), [Management](#)



Name: Instructor: Course: Date: SWOT Analysis- Alpen Bank Introduction The Alpen Bank SWOT analysis will form part of the organization's strategic plan where it links its goals and approaches to workable strategies implemented by the workforce. In this particular case, Alpen Bank has to make the choice of venturing into Romania, a new market with their credit card product.

While the bank had done their own research and generated reports that showed the massive profits that could be amassed from the venture, they still required a SWOT analysis to establish their opportunities, strengths, threats and weaknesses. This SWOT analysis will allow Alpen Bank to discover the different areas that may require restructuring, review or overhaul to ensure that they are more efficient. Strengths Alpen Bank has several strengths that make it the most suitable company to establish a credit card business in Romania. Alpen Bank is a large institution having several branches and subsidiaries throughout Europe and America.

Currently Alpen Bank has subsidiaries in Munich, Bozen, Salzburg and Innsbruck, the bank has been in operation since 1983 (Jolly & Alica 6). The bank also operates in the western area of Austria where it has emerged as the leading bank in handling investments concerning securities. From the brief history and description, it is evident that the magnitude and scope of Alpen Bank can allow it to establish a credit card department in Romania and enjoy economies of scale that come with investing at such high levels (Ulst 89).

Another feature that is closely related to the initial one is the vast experience. Alpen Bank has been in operation for over two decades. During this period, it has amassed priceless information, experience and made

countless networks with individual and organization clients making it a formidable force in international and national banking. The sheer number of branches locally and overseas categorizes Alpen Bank as a major banking organization. This can be classified as strength because with the vast experience and networks globally, Alpen Bank can successfully handle the establishment and administration of a credit card system in Romania. In fact, the bank has already introduced similar investments in Munich and Innsbruck with positive outcomes making it very easy for the bank to open another one. Weaknesses While there are several factors within Alpen Bank's structure and environment that act as strengths, some of its aspects form its weaknesses.

One, Alpen Bank depends largely on foreign clients as its main source of revenue. Within Romania, it was estimated that the credit card business would be boosted by the influx of American and British multinational corporations. Conversely, in Romania, the locals contribute about 10% of the total revenue that the bank approximated in their estimations (Jolly & Alica 47).

The problem with this arrangement is that there is too much dependence on foreign clients to sustain the banks' operations. In the event that the number of foreign customers who want credit card services from Alpen Bank decline, then the organization would realize huge profits. Furthermore, the bank also has a particular cadre of people that it prefers: affluent clientele. This further narrows its client base making it highly susceptible to risks associated with downturns in the economy. In a point similar to the previous one, Alpen Bank

also has high operating costs that can be considered a weakness in its operations. Traditionally, Alpen has maintained a high margin of operational costs that have originated from the expensive and first-class services that it offers to its clients. These high operating costs may be yielding good returns for the company in other locations but in Romania, this kind of system will be disadvantageous. The initial capital and operational costs in Romania are much higher when compared to its other branches in Munich and elsewhere.

Much of the bank's financial resources will be spent on investing in advertisement campaigns, support infrastructure. Currently, for the Romanian venture to be successful, Alpen Bank has to achieve and surpass their break-even point by reaching out to the middle and lower class consumers (Ulst 145). The credit card product by Alpen Bank in Romania also experiences a weakness in that it is entering a highly competitive environment. Currently, several other established banks that have taken up a larger share of the customers in the country. These banks include ABN AMRO Bank, Banca Transilvania, Banca di Roma and Alpha Bank (Jolly & Alica 22). Therefore, Alpen Bank's entry into the market will be at a disadvantaged point. Furthermore, the credit card sector is also quite slow among the remaining customers who have not yet taken up accounts with the established banks.

Most of these individuals are middle and low-income individuals who are not the main target for Alpen. With Romania as part of the European Union, many more EU banks also have their subsidiaries in that country making it even harder for a new banking service to penetrate the market.

Opportunities Political Opportunities Romania has a strong relationship with the United States that is forged through their common goals in NATO as well as a need to realize regional peace. Romania has greatly contributed in the efforts to end the conflicts in Kosovo and Afghanistan with the help of the United States. These bilateral relations have resulted in the increased investment of many American companies in Romania. Most of these foreign companies are multinationals and subsidiaries of other international companies that need prudent and excellent banking services that can be provided by Alpen Bank. Romania's treaty with the United States is quite solid and therefore, most large companies have settled in the country on a permanent basis (Magone 77). Alpen Bank's credit card service will have an opportunity to serve all these companies that handle large amounts of financial transactions on a daily basis.

The effect of being a part of the European Union is also another opportunity putting in mind that the EU offers financial aid to support the development of infrastructure. These developments will be administered by foreign companies who form the core of Alpen's consumer base. Socio-cultural Opportunities The high unemployment rates in Romania pose a great opportunity to customers who desire plastic money. The high rate of unemployment has resulted in increased criminal activity and jobless people turn to crime in order to make a living (Ulst 22). The introduction of the credit card in Romania will be readily accepted as a solution to the need of increasing the security when handling money in the country. Currently, sophisticated terror gangs waylay some of the money being transported while smaller criminals engage in petty crime.

All of these cases can be eliminated through the frequent use of credit cards to make transactions. Therefore, Alpen Bank can seize this opportunity to introduce their credit card product that will have a large customer base to start with (Jolly & Alica 17). Technological Opportunities The banking sector in Romania holds numerous opportunities for the growth of a credit card business. The country has invested heavily in the research and development of financial technological innovations and this has set a good foundation for the cheap, flexible and efficient use of credit cards in Romania.

First, the usage of innovation online banking products such as video customer service and remote tellers is advantageous in a credit card setting as the majority of uninformed clients can easily get support from professionals (Papadimitriou & David 290). Mobile integrated commerce has caught on solidly in Romania and Alpen Bank should take note and develop a product that will be compatible with mobile phones, as this will increase the chances of the credit card venture being successful. In Romania, mobile-based financial products such as stand-alone applications (car purchase) and web-based applications such as (virtual lockbox) are already I use among people with smart phones (Jolly & Alica 12). Therefore, in conclusion, the technological opportunities for Alpen Bank in Romania are still numerous and exploitable. Economic Opportunities Romania holds many opportunities for investment especially in the credit card business as well as other related services. After the recession in Romania, economic activities have started being active again.

There has been positive economic growth for the last ten years and this has resulted in increased disposable earnings among the middle and upper classes. This has been proved by the increased purchases of goods and services from other parts of the EU rather than acquiring them domestically (Magone 378). The consumers also expressed an interest in luxury items. However, the most persuading aspect that offers concrete evidence of the opportunity to invest in credit card use in Romania are the records from recent financial transactions in Bucharest and other urban areas. The report from these areas revealed that credit card use had grown significantly over the course of a year (35%) while the approximated number of credit cards in use in Romania was about 9.2 million credit and debit cards (Jolly & Alica 56). The market for using the credit cards was still growing as well (Ulst 48).

While all these developments were impressive, there was still opportunity for more growth and expansion of the credit and debit card sector, as most areas had not been penetrated. Most of Romanians also had debit cards and seldom used their cards to make purchases. Therefore, Alpen Bank has an opportunity to establish their credit card interest in Romania as they will be purchased by consumers wishing to make purchases without using cash and this will translate into profits for the card issuer, Alpen Bank (Ulst 36). Within Romania, there was an opportunity to invest in the future working class by introducing the credit card business. The Alpen Bank analysis team had revealed in their research that the middle class in Romania had a high potential of transforming into the next affluent class within a short period.

This was in line with their image that sought to maintain an elegant image by only taking up accounts with affluent customers.

The decision to go ahead with the credit card proposal would also be prudent based on the statistics provided by the reconnaissance team from the bank. In their summary, they indicated that the inequality gap in most households was steadily increasing as about 10% of the top households controlled over 25% of the total country's wealth (Magone 198). This cadre of consumers had high-income levels (>\$5000), highly conscious of their image and open to new ideas on better banking behavior (Jolly & Alica 23). According to the analysis team, this group held the most potential for credit card usage.

This is because this cadre was likely to use their cards at a higher frequency and in more locations than any other group. The main revenue that shall be realized from this population will originate from fines and penalties, subscription and annual fees, interest and other charges. While most companies that offer credit card services in Romania chose to waive these charges in the hope that they would attract customers, their approach directly means that they would have to provide substandard services.

Keeping in mind that Alpen Bank's main clientele are the affluent people, the organization has the opportunity of establishing itself as a high-end institution with first-class services. Threats Political Threats The political atmosphere in Romania is a fairly stable and conducive for the establishment of a tertiary service such as a credit card business. The country is a semi-presidential republic having a significant aspect of democracy characterized



by regular elections. The judicial system is also very independent and effective.

Their foreign relation with the rest of the countries in the world is also quite flexible. For instance, Romania has held close ties with the Western world through a symbiotic relationship that has brought cooperation between it and the United States, UK, France and Germany (Papadimitriou & David 88). Romania is also closely linked with Eastern European countries such as Hungary (Jolly & Alica 34). This open approach towards politics in the domestic and international arena has allowed Romania to maintain a peaceful and working system that is highly advantageous for organizations in the finance sector such as Alpen Bank. While the country sized to be under dictatorship several decades before, the Romanian government still manipulates most of the economic activities such as public services and exerts a lot of influence on foreign businesses.

In most cases, this tendency pushes out any private investment that may want to gain a hold of these sectors (Ulst 28). The Alpen Bank management should understand that within the public domain in Romania, the bureaucracy is highly ineffective, corrupt and unorthodox making it quite difficult for modern companies such as Alpen to operate. Several commercial risks are present and choosing the right terms of trade is very difficult. Lastly, Romania is not part of the Euro Zone and consequently, most of their income is still paid out as leu. Therefore, in the global setting, Alpen Bank may not enjoy economies of scale and other advantages that come with

being part of the Euro Zone (Jolly & Alica 48). Economic Threats The Romanian credit card market holds numerous threats for Alpen Bank.

First, the average consumer in Romania still uses cash for most of their payments. Similarly, most merchants in the country also rejected any credit cards. Lastly, because the consumers in Romania had limited or no knowledge on how to maximize card transactions and manage their credit accounts, it would be an uphill task to try and simultaneously educate the consumers and sell them the idea of switching to paperless payment methods such as credit cards. The background of the recession served to worsen the environment in which Alpen Bank would be operating.

While the analysis team later on stated that the economic status of the country had improved making it clear for Alpen to invest, there was still a threat that would make the whole project a failure. Alpen Bank would have to come up with customized interest rates and credit limits that would attract the largely middle and low-income population. Doing this will expose Alpen Bank to a high level of risk (Ulst 37). Technological Threats Targeting and Positioning Alpen Bank should develop a comprehensive targeted marketing strategy that concentrates on a precise segment. The most fundamental way to segment the Romanian market is to attract the older generation first.

This generation consists of individuals from the age of 35 to 70 and is the most conscious and active in using credit services. This market segment will attract deposits that in turn can be used to loan out to younger generations that are credit-driven. While this strategy is typically common in all banking institutions, it is a sure way of ensuring that Alpen Bank can sustain itself

until it can gain a stronger position in the Romanian market. However, any targeted marketing strategy applied in Romania will have to be based on two concepts: differentiation and relevance (Papadimitriou & David 50).

However, the audience segment to be chosen will ultimately have to show signs of growth for Alpen's credit card for the next 15 to 25 years. Therefore, the Alpen Bank target group is young people aged between 20 and 45 that originate from middle and low-income households. The majority of people in this category are either looking for jobs or are attached in a stable and long term employment. This target group will soon require credit from banks to establish themselves and will readily want to have credit cards.

The other reason why this group is the best target for selling the credit card proposal is that they are still young and have many years to engage in economic activities. By creating a strong relationship with this young and vibrant target group, Alpen Bank can ensure that their future in Romania is secured. Marketing Efforts Decision In conclusion, one week was provided as the maximum amount of time before the final verdict concerning the decision to either invest in the credit card venture in Romania or ignore the opportunity altogether. The decision to go either way was based largely on the economic prediction and analysis performed by the research team. The decision will be stated after displaying the factors for and against investing in Romania (Ulst 45). Within Eastern and Central Europe, Romania registered the lowest number of cards per household when compared to other countries such as Croatia, Latvia and Bulgaria. This indicated an opportunity for our bank to invest with optimum results.

There was large market segment that showed potential to grow economically and physically and this would act as the main customers for the Alpen credit card service for many years. However, there were also several drawbacks. The economic activities and employment rates in Romania were slow in growing and this meant that a larger part of the country's population would not be able to afford credit services. Combined with the fact that most of them are illiterate in credit issues and come from middle or low-income households, it will be an uphill task to introduce credit card services into Romania successfully. After reviewing the materials and research collected concerning the credit card venture, I am convinced that Alpen Bank should launch their credit card services in the Romanian market.

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