

Critically analyse the marketing strategy and marketing mix of a recent successfu...

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Critically Analyse the Marketing Strategy and Marketing Mix of a recent successful Marketing innovation in the financial services industry. According to the OECD Oslo Manual, a marketing innovation is “ the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing”. Research and development to create new marketing innovations in the services industry, and in particular, the financial services industry, is largely experimental compared to the tested scientific processes that have been created for product innovations.

This is because a service is intangible, meaning that it cannot be readily displayed before it is bought. Brainstorming, trial and error and innovation teams are some of the informal methods used to develop occasionally successful marketing campaigns for the services sector. Bank of America: “ Keep the Change” Bank of America has been at the forefront of product and marketing innovations in the financial services industry. In an effort to encourage more customers to open a bank account and to use its products and services, it wanted to break away from its competitors and the structured products of the conservative banking industry.

It started by experimenting with products and services conducted live with real customers engaged in real transactions. Twenty branches in Atlanta were set up with different gimmicks and promotions to determine what appealed to customers. The results were then measured, developed, re-tested and compared with control branches much in the same way as a

scientific laboratory. In the month of October, 2005, after a number of years of experimentation, Bank of America had a breakthrough.

It released a unique and radically different banking concept that broke the traditional product mould. This breakthrough concept was called “ Keep the Change”. While investigating and researching methods by which the bank could improve its services to women with children, one major observation was that these women tended to round up their financial transactions mainly for speed and convenience reasons. The researchers also noticed that this target demographic also had the lowest savings rates amongst the American population.

As a result of these observations, the Bank of America released a banking package that included a visa debit card that when used would round up the transactions to the nearest dollar amount and then transfer the difference between the actual purchase and the increase to a linked savings account. A number of additional incentives were added to this package to attract customers such as a promotion that the bank would match the savings transfers up to \$250 per year.

Marketing Strategy: The main objective and subsequent marketing strategy of the bank was to encourage as many people as possible to open new accounts. By doing this, the bank aims to dominate the American retail banking sector and strive to become a market leader amongst its competitors by obtaining the largest market share through better value for

money banking products, better customer services, tailored banking solutions that suit customer needs and high promotion spending.

Anne Finucane, the Chief Marketer at Bank of America, further highlights this strategy by stating that: “ Our ongoing work is meant to evolve Bank of America from a brand everyone knows to a destination brand that everyone ??? consumers, businesses, and communities chooses and uses repeatedly because our innovative solutions and understanding of their financial needs create opportunities for them that no other financial services provider can match. “

Given that all banks essentially sell the same services and products, namely savings and checking accounts, debit cards, offer customer branches, phone banking and online facilities for banking services, Bank of America needed to differentiate itself from its competitors in order to gain a competitive advantage. It had to develop a method of providing the consumer market greater value for these products and services. The “ Keep the Change” concept has successfully achieved this goal.

It provides a better financial return on the use of the day to day debit card through the rounded difference in transactions and offers the added incentive of the bank matching these additional earnings all in an interest bearing savings account. Segmentation and Targeting While the “ Keep the Change” concept was initially borne by research into women with children and their financial practices, the account could be opened by any American

resident who was looking to maximise the value of their day to day spending and at the same time develop a forced saving regime.

It had been reported that in the 2005 year, the U. S. personal savings rate dipped into negative territory at minus 0. 5 percent for the first time since 1933. The overall savings rates were between one and three percent amongst American consumers between the years 2005 to the start of 2008 when the global financial crisis emerged. As the world economy deteriorated, consumers were increasingly searching for ways to make their savings work harder and this program has successfully appealed to their needs in a simple and effortless way.

In keeping with the bank's strategic goal of market dominance, it was important that this concept appeal to as many of the American population as possible. While the banks competitors were offering higher interest rates on savings accounts, it was the discipline of saving that the average consumer required. The " Keep the Change" program was an ideal way (albeit rather gimmicky) to turn spending into forced savings. Differentiation and Positioning One of the difficulties of differentiation in the financial services sector is that many new concepts and products can be easily imitated thus quickly eroding any competitive advantage.

Due to the innovative and creative design of the " Keep the Change" concept, it has been difficult for competitors to imitate the program thus allowing Bank of America to have full market share of the branding opportunities that have evolved from this unique selling point. This

differentiation strategy appealed to the American consumer's needs on a number of levels: 1. They did not need to alter their spending habits. 2. Financial transactions were rounded thus allowing for simpler calculations. 3. Value was created through the bank's savings matching incentive. 4. Forced savings encouraged consumers to save in a time when the discipline of saving was virtually obsolete. Due to the popularity of the "Keep the change" concept in America, the UK's fifth largest bank, Lloyds TSB, has set up a similar scheme titled "Save the Change". The UK has experienced many of the same savings problems as the US and therefore it was only fitting that Bank of America's successful concept was a suitable fit for the UK market. Marketing Mix: Product

To differentiate itself from its competitors, namely other banks who were also offering visa debit cards, savings accounts and checking accounts, the "Keep the Change" concept has proven to be a simple and unique variation on the same core product but one which drew customers into the value proposition. While somewhat gimmicky, customers felt that this product was able to offer them more than a standard savings account. The concept of forced savings is also an added benefit to customers who would otherwise struggle to find the discipline to save.

Once customers have a relationship with the bank, then other products and services could be sold to them. Price The Bank did not charge any additional fees for this service and it therefore did not impact a consumer's decision, but rather, offered them more financial returns for the same product. One

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regularly published criticism of the above concept is that the savings account that is linked to the visa debit card has a comparatively low interest rate compared with other savings accounts on the market.

However, its forced savings structure and the additional contribution matching incentive offered helps to increase the effective savings rate on the product. Bank of America addressed this negative criticism by issuing a press release which quoted David Bach, the author of a bestselling book titled "The Automatic Millionaire" which highlights the benefits of automatic investing. In a time and market where any form of saving was difficult, this product offered Americans the solution to their savings dilemmas. Promotion

The "Keep the Change" program was heavily promoted via every available communication mix possible in a fully integrated marketing promotional campaign. In keeping with the unique theme, the product was launched via a marketing event or a type of press conference in the Grand Central Terminal in New York. A large red sofa containing coins stuffed into the cushions was placed in the centre of the station and the public were invited to look for the change. This launch strategy appealed to consumers because it appealed to their sense of touch as well as that of visual and audio.

They were invited to get involved in the promotion and to have a sense of the benefits that the new program offered. This marketing tool was also replicated in malls around the United States in cities such as Boston, Dallas, Los Angeles and Miami. Customers could then sign up then and there and were later encouraged to visit the branch to further discuss their savings

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needs. Accompanying the launch of the program was a press release which highlighted the media coverage and market statistics surrounding the negative savings rates amongst American consumers.

This was effective because it had the public ponder their personal spending and savings habits and needs. It appealed to both the rational and the emotional sides of consumers. The “ Keep the Change” program was marketed in such a way that it provided the solutions to the average American’s savings problem. In addition to television commercials, internet marketing, billboards, and print, the program has been used to sponsor various sporting and charity events and the proceeds donated to charity.

Bank of America has carefully considered all segments of the population in its marketing campaign including its philanthropic pursuits of giving something back to the public thus further highlighting its strategic goal of meeting customer needs and portraying a moral appeal. With each form of direct marketing, care and attention to detail have been considered in order to optimise the ease with which a potential customer can apply immediately or contact the bank to enquire further. For example, in the article by Bruene on [www. etbanker. com](http://www.etbanker.com) (13 February 2006), he illustrates the attractiveness and ease with which a consumer can click on a distinctive and inviting headline within a postage-stamp sized advertisement on the MSN Money website. After an explanation of the program, the user is invited to apply in a secure and effortless manner online. Place When Bank of America initially released the “ Keep the Change” concept, the only method of applying was via the branch or at the place where the product launches took place.

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Bank representatives were available to answer consumer queries and to sign up applicants on the spot. However, as the program increased in popularity, online applications were made accessible to the consumer via the vast range of online advertising links on various websites such as MSN money. To gain a competitive edge, Bank of America focused on offering its customers superior quality service delivery. Three more areas where the bank can differentiate itself from its competitors are in the people, the physical evidence and the delivery processes it offers. People Through its extensive research and development experiments, Bank of America was able to assess methods by which its employees and customer service staff could increase customer satisfaction. Customer service staffs undergo a rigorous training regime to be able to deal with every possible customer query and requirement. Each campaign comes with a guide that emphasises sales tips, clues as to which customers need a product and opening lines for tellers and other sales associates. Physical Evidence

Bank of America has gone to great lengths to ensure that its branches offer customers all the banking solutions that they require. Branches have been redesigned to suit each customer demographic in a particular location. For example, in a wealthy suburb in Atlanta, a redesigned branch was opened with a host to greet customers at the door, free standing kiosks to assist customers to open new accounts and apply for loans, an investment bar offering computers for online services and comfortable couches where customers could enjoy a coffee while waiting to be served.

Busier branches would focus on speed of service with minimal waiting periods. Processes Due to various technological advances, bank delivery processes include the availability of online banking and mobile banking facilities to allow customers to conveniently complete their banking needs from home or on the go. Bank of America have made great innovative strides to allow customers to use their online facilities to handle many of their day to day banking and payment requirements.

Conclusion The success of Bank of America's "Keep the Change" program was revolutionary. The product combined with the overall marketing strategy was carefully researched and implemented in a way that appealed to the American banking consumer. This is evidenced by the statistics surrounding the concept. It had attracted 2.5 million customers in less than one year to open more than 700,000 new checking accounts and one million new savings accounts.

These customers had successfully saved over \$200 million in a year. In May 2008, two and a half years after the launch of the program, Bank of America announced that it had helped its customers save more than one billion dollars in customer round-ups and bank-matching funds and that these customers had also accumulated approximately \$10 billion in savings. The bank has also formally acknowledged that 99% of the people who have opened an account via this program have stayed with it. BIBLIOGRAPHY 1.

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