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**THEORETICAL FOUNDATIONS OF MANAGEMENT CONCEPTS OF  
CONSUMPTION OF BANK SERVICES**

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*This paper discusses the fundamental aspects of building the concept of bank behavior in the formation of relationships with customers. Material publication reveals the content of the management system of bank products consumption based on the formation of complex methods and processes of impact on client groups in order to obtain from them the appropriate behavioral and planned financial effect.*

*Key words: bank, banking product, management system, business process of the bank, customer, distribution channel.*

With the rapid growth of competition on the market of bank services the main factor of bank institutions` competitiveness is continuous innovations. The key directions of innovation processes in banking sphere should definitely be innovations that are aimed at improving the work with clients. While banking system tries to overcome the consequences of crisis of 2008, which are connected with loss of confidence in banks, the struggle for clients is worsening. This struggle needs continuous implementation of modern methods and work techniques with clients by banks. Personalization of customer support and expanding the range of innovative products, which banks provide to their customers, are popular instruments of mentioned struggle. As a result, the quantity of offers grows constantly. Because of this it is difficult for client to choose the optimal product for his needs. Today despite loud statements about extraordinary client-orienting, for majority of banks it is real only in serving VIP-clients. Further personalization of customer support and expanding range of customers for VIP-serving can't solve the problem of retaining clients and increasing profitability of their serving.

Particularly, it is as a result of high cost price of such serving. Besides, such “personalization” and further customer support often ends after selling him bank product. There is a tendency of increasing the similarity of bank products. Nowadays banks propose their customers almost identical products, their amounts in product portfolios of banks are growing continually. And for unprepared customers it is difficult to orientate in considerable quantity of bank products. Innovative bank products are quickly copied by competitors and often treated with distrust by clients. Consequently, it is very difficult to sell the majority of bank products. Traditional advertising with substantial costs is ineffective to solve this problem as it is usually aimed at promotion of brand or “hot” offers of some products. As a result, a lot of bank products are unprofitable or low-profit. But despite that, market competition forces banks to keep these products in their business portfolios.

The complexity of products grows continually. In addition, most of bank customers in Ukraine have little interest in bank innovations and consume “traditional” package of bank products.

So, in consideration of mentioned thesis above, under modern circumstances the use of traditional approaches and methods of work with clients is not enough for bank to achieve the market success. In the threat of repetition of crisis of 2008 from the position of influence on consumption of bank products, nowadays it is appropriate to make a critical examination of almost every innovation in banking business.

Consumption is an integral part of any product or service life cycle. Effective consumption under modern circumstances should be a primary task of service provider, but not their consumer. And the phase of consumption is very important in the life cycle of every product. Consumption of bank products by clients is connected with some emotions, efforts, required time and resources, which can be the causes both of stress and increasing of their satisfaction. Consequently, these processes of bank product consumption have a great impact on consumer loyalty. Depending on the control ratio of consumption processes, this phase of life cycle both becomes the source of extra income and substantial losses for bank institution. Under these

circumstances uncontrolled processes of product and service consumption for majority of small Ukrainian banks today is a dead duck.

Management concept of consumption is a complex look at the work with client for the purpose of achieving bank goals in this direction with minimal efforts. Today this work in bank, as a rule, is deconcentrated between such spheres and business-functions: marketing, selling, strategic management, customer relationship management et al. Various subordination and not always agreed goals of these kinds of activity are becoming considerable causes of decreasing the effectiveness of work with clients. The management system of bank products consumption is presented with complex of methods and processes of influence on groups of customers of bank institution. That is made for the purpose of receiving from customers some actions and forming the necessary consumer behavior. With the view to the practical realization, the management system of bank products consumption is a package of tools of influence on the customer behavior, business processes of work with customers, processes and technologies of interaction between customer and bank institution. The main goal of building the management system of bank products consumption (from the position of customers) is the necessity to make consumption of bank products for customers:

- more comfortable;
- the most useful in specific life situations;
- optimal in space, time and amount;
- the most attractive comparing with alternatives et al.

For bank this system has to provide:

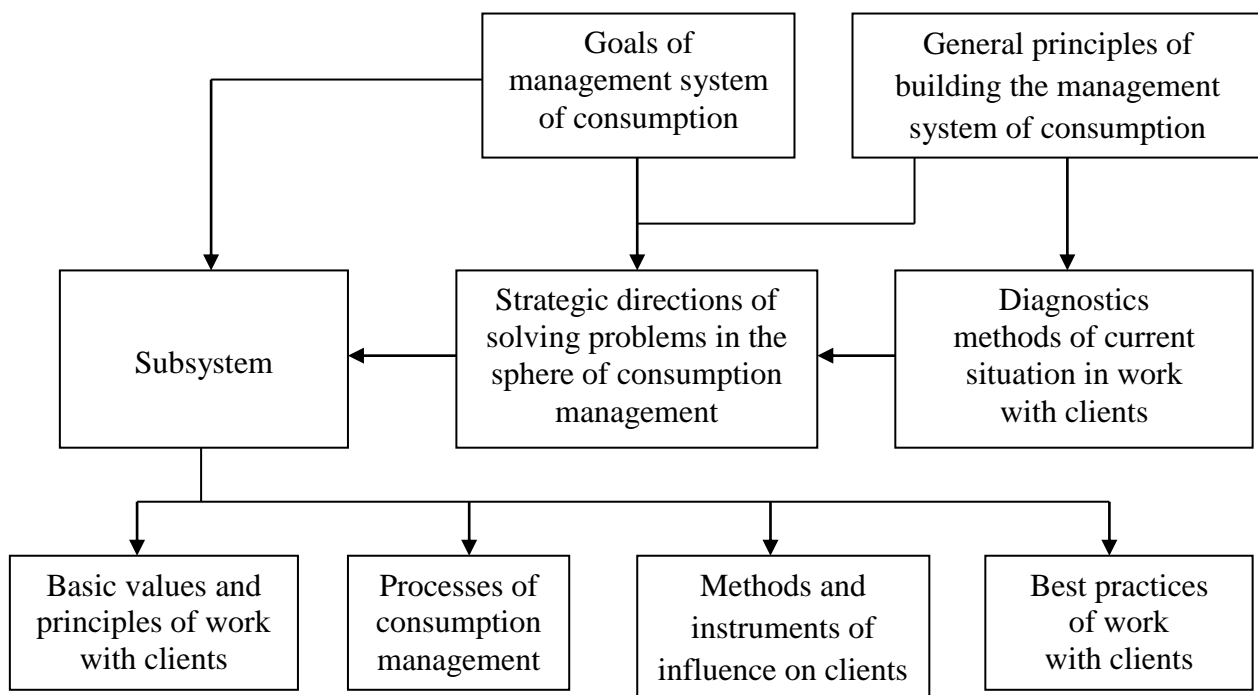
- extra sales returns of bank products;
- increasing loyalty and profitability of customers;
- new channels of marketing communications;
- better awareness and understanding of its clients;
- opportunities and prerequisites for faster improving bank products.

Solving the mentioned aspects has to ensure an increasing of bank institution competitiveness and promote an accelerated achieving of long-term goals of its development.

Practically, consumption management is an activity which is aimed at achieving desired for bank consumer behavior of clients. It is an activity that is the fundamental basis of consumption management.

Management of consumer behavior is quite real with the use of right motives and adequate business-technologies.

Thereby, the consumer management system consists of a set of methods, processes and instruments to achieve goals in the sphere of work with clients (fig. 1).



**Figure 1. The structure of the management system of bank products consumption**

Management centralization, providing necessary resources and personal responsibility for realization of these functions are the keys to significant improvement of effectiveness of current activities.

Practical building of such system starts with the accurate formulation of objectives in the sphere of work with clients. On the basis of diagnostics of current situation and objectives, based on the main principles of building the management

system of consumption, the directions of solving problems in this sphere are determined. It is a strategic direction of the system [1].

In our opinion, the management system of bank products consumption should be built with adherence to next basic rules [2]:

- the principle of customer behavior management;
- the principle of embedding in business strategy;
- the principle of mutual advantage;
- the principle of voluntariness;
- the principle of monetization;
- the principle of client`s resource saving;
- the principle of individual responsibility;
- the principle of using process approach;
- the principle of processes integration;
- the principle of using instrumental approach;
- the principle of continuing improvement.

Strategic direction determines areas of making efforts and allows selecting the necessary methods and instruments to solve the problems of management system of consumption.

During the development of the management system of bank products consumption and determination its strategic direction, the choice should be made from the standard list.

In our opinion, there are next possible variants of strategic direction of management system of consumption for banks:

- on the market or its specific segment;
- on specific customer or group of customers;
- on product characteristics;
- on product support;
- on product addition;
- on product availability for new categories of customers;
- on expansion of spheres of product use;

- on new possibilities of clients;
- on internal business processes of clients;
- on client`s values;
- on solving client`s problems;
- on product sellers-intermediaries;
- on partners.

An individual subsystem is developed for every of determined strategic directions. We consider that all subsystems of management system of consumption should have the same structure.

Universal structure substantially simplifies development and especially practical implementation of the management system of bank products consumption. It should have the next elements:

- basic values and principles of work with clients;
- sets, methods and instruments of influence on clients;
- sets of business-processes;
- best practices of effective solving problems within the bounds of this strategic direction.

Practical development of subsystem can be carried out both by means of choosing these elements between standard lists and starting from scratch.

At the final stage of building the management system of consumption there must be a practical control of every element of the system and any element can be substituted for more effective if needed. The main advantages of implementing the management system of bank products consumption are:

- economy of marketing budgets by complex solution of consumption management problems;
- saving the most valuable asset of business – a customer;
- increasing the proposition value for client;
- providing long-term stability of bank business;
- reducing expenses on “fashionable” technologies;
- saving time of bank workers to work with clients;

- extra income from bank products sales;
- increasing customer satisfaction;
- increasing customer loyalty;
- improvement of bank front-office work organization;
- increasing the “share of client`s wallet”, which bank receives;
- increasing profitability of both certain products and business in whole;
- optimization of processes and technologies of bank products sales;
- reducing expenses on customer servicing and support;
- improvement of work coordination of bank subdivisions.

Summing up it should be noted that uncontrolled processes of product consumption under the circumstances of severe competition can be the reasons of loss of customers, substantial financial losses, receiving less important information for the development of marketing information business than it must be et al.

With small expenses on creating the management system of product consumption, bank, which will be the first in adopting the technology of consumption management, can receive significant competitive advantages and extra opportunities for substantial increase in customer base.

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