Effective Communication with the Czech Customers 50+ in the Financial Market

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Abstract—The paper deals with finding and describing of the effective marketing communication forms relating to the segment 50+ in the financial market in the Czech Republic. The segment 50+ can be seen as a great marketing potential in the future but unfortunately the Czech financial institutions haven´t still reacted enough to this fact and they haven´t prepared appropriate marketing programs for this customers´ segment. Demographic aging is a fundamental characteristic of the current European population evolution but the perspective of further population aging is more noticeable in the Czech Republic. This paper is based on data from one part of primary marketing research. Paper determinates the basic problem areas as well as definition of marketing communication in the financial market, defining the primary research problem, hypothesis and primary research methodology. Finally suitable marketing communication approach to selected sub-segment at age of 50-60 years is proposed according to marketing research findings.

Keywords—Population aging in the Czech Republic, segment 50+, financial services, marketing communication, marketing research, marketing communication approach.

I. INTRODUCTION

FINANCIAL institutions didn´t pay so much attention to their customers in the past which is connected with slow accepting of marketing philosophy. From the end of nineties this approach is changing in the Czech Republic. Financial institutions recognized that understanding of customers´ behavior including social trends and changes that exert influence on future customer behavior is the main key to success.

Earlier, financial institutions used for customer analysis (not only in Czech Republic) traditionally only financial analysis, especially in providing loans, extention of credit frame, providing loans, insurance etc. Results of this analysis have only nominal importance. If we want to realize solid market segmentation and indentify some causations of financial analysis results, it is needed to familiarize with customer behavior and attitude. In the opposite case we aren´t able to recognize important customer characteristics given by their culture, social class, attitude, motivation etc. This recognition is needed for optimal usage of marketing communication approach and also setting of high-quality marketing plan.

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Current trend is that financial institutions deal more and more with targeted marketing. They try to provide financial products that suit to certain market segment. Then it is possible to address the segment by appropriate product, price, marketing communication and properly choosen distribution network. The diveded market into special segments and customized marketing mix to these segments lead to appearance of so called **customization** in area of financial services.

The future marketing orientation of financial institutions should be sought in segments that are currently regarded as marginal and not very profitable. This paper focuses on the segmentation and marketing potential of the specific and significant target group of the population 50+ which could be a goldmine for companies which are planning to target pensioners in the near future. The proportion of the population in developed nations that is over 50 is now much greater than it was 10 years ago In fact, 24 of the world´s 25 "oldest" countries are in Europe, the other is Japan which comes at number three [1].

II. THE ESSENCE OF MARKETING COMMUNICATION IN THE FINANCIAL MARKET

A service is an intangible product involving a deed, performance or effort that cannot be stored or physically possessed [2]. Services are a special kind of product. They may require special understanding and special marketing efforts [3]. Financial services are concerned with individuals (B2C market), organizations (B2B market) and their finances – that is to say, they are services which are directed specifically at people´s intangible assets - i.e. their money/wealth). The term is often used broadly to cover a whole range of banking services, insurance (both life and general), stock trading, asset management, credit cards, foreign exchange, trade finance, venture capital and so on [4].

Financial services have their own distinctive characteristics which are based on dissimilarity from physical goods and typical features of financial services. In the book by Levens there are four ways in which services differ from physical goods–intangibility, inseparability, perishability and variability [5]. It is also important, however, to stress that financial services hold some unique additional characteristics that affect their performance in the market. Three further characteristics are fiduciary responsibility, duration of consumption and contingent consumption [6].

Marketing communication is an ever-changing field. New theories, new techniques, cultural changes and technological advances all combine to create a dynamic environment within

which marketers try to ensure that their messages get through to their target audiences [7]. Marketing communication in the marketing mix relates to marketing communications activities that attract customers and convey the desired brand or product positioning to the target market [8]. Once a product is developer to meet target market needs and is properly distributed, intended customers must be informed about the product´s value and availability [9]. The primary objective of marketing communications is to enhance brand equity as the means of moving customers to take favorable actions toward the brand, that is, trial, repeat purchases and ideally become brand loyal. Enhancing equity and affecting customers behavior depends on effective use of all elements of marketing mix [10].

Marketing communication itself is a mix of elements. The old marketing communication mix was usually seen as consisting of advertising, sales promotion, public relations and personal selling. This is forever developing and mutating [11]. There could be also new categories of direct marketing, sponsorship, Internet, point-of-purchase displays, product packages etc. The balance between these tools will vary according to the nature of the overall marketing strategy, the characteristics of the product, the resources of the organization and the nature of the target market. Whatever marketing communication mix is chosen, the effectiveness of the communications process depends on the development of a clear and unambiguous message that is presented to the right target audience, at the right time and through the most appropriate medium [12].

A popular concept in recent years has been integrated marketing communications (IMC). The integrated marketing communication has been defined in a number of ways, stressing various aspects, benefits and organizational consequences of IMC. According to Kotler the IMC solution calls for recognizing all contact points where the customer may encounter the company, its products, and its brands [13]. Each brand contact will deliver a message, good, bad, or indifferent. The company must strive to deliver a consistent and positive message at all contact points. The various definitions incorporate the same core idea: communications instruments that traditionally have been used independently of each other are combined in such a way that a synergic effect is reached and the resulting communications effort becomes "seamless" or homogeneous. The major benefit of IMC is that a consistent set of messages is conveyed to all target audiences by means of all available forms of contact and message channels [14].

III. RESULTS AND DISCUSSIONS

In terms of the orientation analysis secondary data were used that are supplementary to the data obtained within primary research. The basic secondary data were obtained mainly from Czech Statistical Office, Labor Office of the Czech Republic, domestic and foreign professional literature and available studies. Due to the type of requested information and examined topic, the personal interview as the primary research method was chosen. The analysis was based on the number of 306 respondents, most of them from the Moravian-Silesian Region. As a technique of selecting a sample of respondents was used semi-representative technique of choice (non-exhaustive survey), which consists of selecting respondents based on the assumption (judgment) that these respondents meet certain requirements.

A. Defining the Research Problem and Hypothesis

The main research problem represented the inappropriate respecting of the fundamental demographic trends development (the population aging) by providers of financial services in the Czech Republic and the related neglect of significant market potential of generation 50+ living in this area. The objective of this research was to find and describe the effective ways how to communicate with Czech customers at the age of 50 – 60 years in the market of financial services.

The following three working hypotheses were defined for the purpose of marketing research.

- **H1:** *More than 60 % of respondents prefer impersonal contact to personal communication with contact staff.*
- **H2:** *Less than 20 % of respondents require the self-service zone at the POS.*
- **H3:** *The segment at age of 50 - 60 years cannot be seen as a uniform group of customers in the financial services market–there is an essential presumption of heterogeneity according to the terms of their incomes.*

B. Sample Characteristics and Research Methodology

The structure of the sample is 45 % male and 55 % female, dominated by married people. Based on education, the largest group are respondents with a secondary education diploma. Their share amounted to 51 % of the total sample of respondents. The second largest groups were respondents with higher education. The largest income group is in the category of up to 20 000 CZK (48 %), 37 % respondents belong to the category 20 001 - 50 000 CZK. Only 4% respondents have incomes more than 50 000 CZK. There is a certain correlation among the identifying data, such as education and earnings. This marketing research confirmed the fact that people with higher education mostly have also higher earnings.

MS EXCEL was used to evaluate the overall research. Working hypotheses were evaluated with descriptive statistics (absolute and relative frequency of responses). The chi-square test was used to assess the dependence of the selected consumers´ segment marketing communication demands in the financial market and their incomes. The chi-square test aims at comparing the actual frequencies within each category of a nominal variable against its expected frequency.

The six steps of the Chi-square test procedure were implemented [15]:

- Null and alternative hypotheses formulation. The null hypothesis is that there is no difference in the proportion of respondents in the different categories of the variable while the alternative hypothesis has the opposite meaning.
- Data converting into a tabular form.
- The expected frequencies for each of the categories finding out.
- Chi-square value finding out by applying the formula of:

$$x^2 = \sum_{i=1}^{n} \frac{(O_i - E_i)^2}{E_i} \qquad (1)$$

- The critical chi-square value finding out for 0.05 level of significance.
- The decision making by comparing the calculated and critical chi-square value.

C. Marketing Communication Approach to Target Group 50-60 Years in the Area of Financial Marketing Services According to Marketing Research Findings

The current account (97 % respondents) is the most frequently used financial product. Financial products such as pension insurance (74 %), life insurance (51 %), savings (47 %) and life insurance (46 %) also dominate. Short-term and long-term credit products are demanded less. Overall, the segment 50 - 60 years rather tends to savings than to credit products. The caution, rationality and responsibility dominate increasingly in their behavior. It can be said that the Czech financial public is dissatisfied, cost- sensitive, demanding, conservative and comfortable [16].

The most preferred form of communication with the customer when a financial product is offered is a customer personal contact with a contact staff directly in the stone branch (42 %) or personal contact in another agreed location (37 %). It is also possible to mention the communications by telephone (30 %). The surprising finding is that only 8 % of respondents were willing and able to purchase a financial product through Internet. *The hypothesis No. 1 has not been confirmed because 38 % respondents prefer impersonal communication with staff contact.*

On the basis of mentioned data above, it is clear that traditional stone branches still have an irreplaceable role in customers serving in the financial market. Although the technological distribution of financial services has been constantly improved and there is an increase of financial services which can be arranged in this manner, the stone branches become the centers of consulting and sales. Financial institutions based on a virtual base are not able to use the full demand potential. Direct personal communications and meetings with the customers support the sales strategy of cross-selling and up-selling.

Based on the outputs of Chi - square test it can be said that the segment 50 - 60 years is a uniform group of customers because there haven´t been any dependences in the area of communication form – personal versus impersonal contact and income level *(p value: 0,094527683 > 0.05).*

The commercial communication is meaningless information and motivational source for the segment 50-60 years, it cannot be a completely excluded from financial institutions practice. It would be more efficient regarding the target group to use the tools of BTL than ATL marketing communication. ATL or above the line means advertising - paid insertion in any medium, BTL or below the line means any marketing communication which is not advertising [17].

Within BTL communication, respondents rated the best offers in the area of sales promotion because these offers mean an added value for them. This is a discount program for loyal

customers (loyal programs), the financial product testing free of charge and incentives 1 +1 which are typical especially for traditional retailers. Respondents expressed a negative opinion on the ATL communication (classic commercial media). At present, widely used recommenders (celebrities) in commercial communication can be evaluated as ineffective according to the research results. BTL communication in the form of unaddressed distribution (leaflets) is said to be unbelievable and ineffective.

If we analyzed the respondents' opinions according to their incomes, it can be stated that there are not clear differences related to the means of commercial communication (see Fig 1).

A - Advertising , **B** - Celebrities in advertising , **C** - Leaflets (Direct marketing), **D** - Personal direct mail from the bank, **E** - Offer via e-mail, **F -** Offer via telephone, **G -** Product testing free of charge, **H** - Discounted price offer for loyal customers, **I** - Time-limited discounted price offer, **J** - Special offer - product 1+1, **K** - Presents, consumer competitions, **L** - Charitable activities of financial institution

——— to 10000 Czech crowns
——— 10001-20000 Czech crowns
——— 20001-50000 Czech crowns
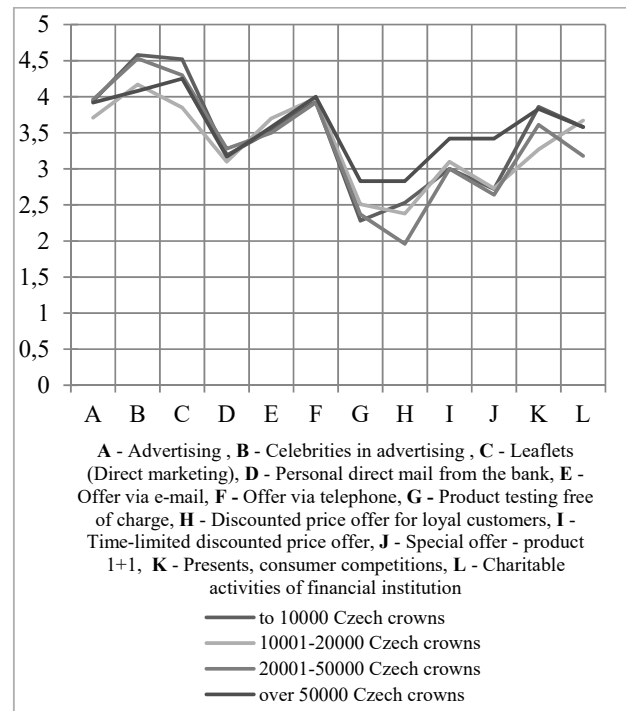——— over 50000 Czech crowns

Fig. 1 Motivational factors for purchase within segment 50-60 years according to their incomes (1–the best, 5–the worst)

Respondents include among the most important contact staff characteristics the professionalism (53 %), speed of the request processing and willingness (32 %). Empathy is seen to be the least important (28 %). The mentioned statements show that customers of the segment 50-60 years prefer rational aspects of personal sales to emotional. On the basis of the outputs of Chi - square test *(p value: 0.118355 > 0.05),* it can be stated again that customers in this segment share similar views when evaluating the contact staff characteristics.

Most of the research was devoted to the physical environment, especially to the internal environment. Internal physical environment offers great marketing opportunities how to inform, motivate and persuade the customers to buy a financial product. The financial sector is inspired by trends which are typical for traditional retail units offering FMCG. Most respondents prefer again the appropriate staff behavior

(43 %). It is also important to pay attention to the waiting zone (56 %) which represents a sufficient number of seats seating and effective organizational system of waiting clients.

The most attention should always be given to the place of sale. From a marketing point of view the businessmen should understand and implement merchandising issues into their marketing communication strategies. In relation to the meaning of point of sale it cannot be ignored increasingly important role of POP/POS displays in the in-store communication. Merchandising and point-of-sale are present at the point a customer makes a decision to buy, the very last opportunity to communicate with a customer before the decision is made. The message can be controlled, and it can range from ensuring customers are aware of the brand through to encouraging them to buy now [18]. Clients report that their shopping behavior can be affected with the smell, lighting, temperature, color, arrangement of space etc. Marketing communication tools such as internal television, leaflets are not evaluated too positively. The self-zones are not required a lot by respondents (13 %). This form of execution of financial services is rather typical for a younger customers target group. *The hypothesis No. 2 has been confirmed because 13 % respondents require and benefit from self-service zones.*

Generally, it can be also stated that the customers of the segment of 50 - 60 years are characterized by similar views on the importance rating of the material environment elements because *p value is 0.380019> 0.05.*

Overall, the customers of the segment 50 - 60 years in different income levels tend to have very similar or the same requirements and opinions regarding marketing communication tools used in financial market. It follows that the *hypothesis No. 3 has been confirmed because there isn´t an essential presumption of heterogeneity in the area of marketing communication tools according to the terms of their incomes.*

IV. CONCLUSION

This paper focused on finding and describing of the effective marketing communication forms relating to the segment 50+ in the financial market in the Czech Republic. The sample of respondents aged 50 to 60 years was selected for the purpose of primary research. This population represents a fundamental change in older people´s behavior in the Czech market. During the revolution in 1989, this population was at age which is very flexible to adapt to new opportunities and market conditions after the collapse of the communist regime in the Czech Republic. It can be clearly stated that there is a clear rejection of conventional commercial media (ATL communication). Within BTL communication it is effective in addressing this segment choose primarily tools of sales promotion. The personal contact is necessary in the area of financial services. Research results show that respondents require largely direct personal meetings in stone branches. It means that it is necessary to adapt marketing communication tools to point of sale - the internal material environment. There is a great potential for the use of various merchandising tools, including the implementation of POP/POS displays. The aim of marketing research was also to confirm the assumption that there are significant differences in the perception of marketing communication tools by respondents within 50 - 60 segment according to their various incomes. This assumption has not been confirmed since there are no significant differences in the perception of marketing communications in the financial market according to the respondents´ income categories. It is possible to create undifferentiated marketing communication approach to this segment.

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