

THE IMPACT OF DIGITAL BANK MARKETING ON CONSUMER SATISFACTION AND LOYALTY A CASE OF MACEDONIAN COMMERCIAL BANKS

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ABSTRACT

World banking analysts predict that in the near future the number of traditional banks will be reduced by 50% worldwide, through a mix of closures, mergers, acquisitions and spinoffs. This is due to the evolution of banks, which have grown from physical infrastructure (brick and mortar business) that served customers into electronic banks. Nowadays, in order to meet the sophisticated needs and wants of customers, banks offer a wider range of digital services. Thus, while the traditional banking comprised of straightforward loans, deposits, treasury, and insurance products, new “universal” banks slowly added more offerings such as derivatives, asset-backed securities, digital wallets, wealth management, and private banking. The banking is facing digital banking innovations across the spectrum of payments, cash, lending, money transfer, investment management, and lending, among other areas. The main objective is to understand the customers, their lifestyle, preferences and then custom build the product to add value and enhance the customer experience. In order to come closer to the consumers, banks use modern integrated marketing communications. However, the question is whether and how satisfied consumers are with the new digital banking services i.e. with the one-stop-shop access for all services. This paper contains a survey to analyze customer satisfaction from Macedonian banks, their operations and way of marketing communications.

KEYWORDS

TRADITIONAL BANKING, DIGITAL BANKING, MARKETING INNOVATIONS, INTEGRATED MARKETING COMMUNICATION, CUSTOMER SATISFACTION

JEL CLASSIFICATION CODES

M31, M37

1. INTRODUCTION

According to Jain (2021), in the next ten (if not five) years, the number of traditional banks surviving across the world will reduce by at least 50%, through a mix of closures, mergers, acquisitions, and spinoffs. In order to satisfy the sophisticated needs and wants of consumers, banks are under pressure to offer richer and wider range of digital services. So, banks have been evolved and changed from “brick and mortar” to digital ones. Thus, while the traditional banking comprised of straightforward loans, deposits, treasury, and insurance products, new “universal” banks slowly added more offerings such as derivatives, asset-backed securities, digital wallets, wealth management, and private banking. The aim is to provide one-stop shop access for all the banking services. Over the last five years, with the changes in technology, and especially

with the appearance of the global pandemic, we are seeing a completely different paradigm, where physical location has ceased to be essential. Adopting new technologies and using quick, iterative improvements to offer tailored service is the new paradigm for servicing customers.

Factors that have enabled a more intensive application of digital banking globally are: (Jain, 2021)

- **Seamless Integration** - Internet-facilitated technologies allow for better oversight and efficiency of demand, supply, and supply chain fulfillment banking operations.
- **Mobile Connectivity** - Mobile networks are more cost-efficient than their fixed-line equivalents and have allowed rapid infrastructure build-up, bringing large parts of a hereto unreachable audience in the “consumption” economy.
- **Increase in Data Availability**- Shifts to digital methods have brought large increases in data availability; both from conventional data (e.g., financial) to non-financial (social media, geotagging, AI-based models, etc.)
- **Reduced Cost of Acquiring and Servicing Clients** - In general, digital technologies are allowing banks to reduce their costs to acquire/service customers, by automating tasks that would have otherwise been performed by human labor.
- **Trust-based Transactions** - Digital social identities are allowing completely new ways to identify, monitor, assess, score, engage, and track customers. The objective nature of a digital footprint offers large incentives to play it fair and straight, and align transactional parties.
- **Cloud > Physical Infrastructure** - Physical location of most businesses, especially in services, has ceased to be a bottleneck for geographical growth. Companies in one corner of the world can now onboard and service customers on the other.
- **Scaling-up Businesses** - is becoming easier with cloud-based distributed and “pay-as-you-go” scalable infrastructure allows the rapid building of businesses at low fixed CAPEX costs.

The advent of e-banking has changed the traditional way of banking. Changes in technology, market competition and current operations have also affected the way banks operate. Previously, in order to perform certain banking activities, clients had to be physically present in the bank. However, with the introduction of digital banking, the same activities can be performed electronically in a much shorter time and lower transaction costs.

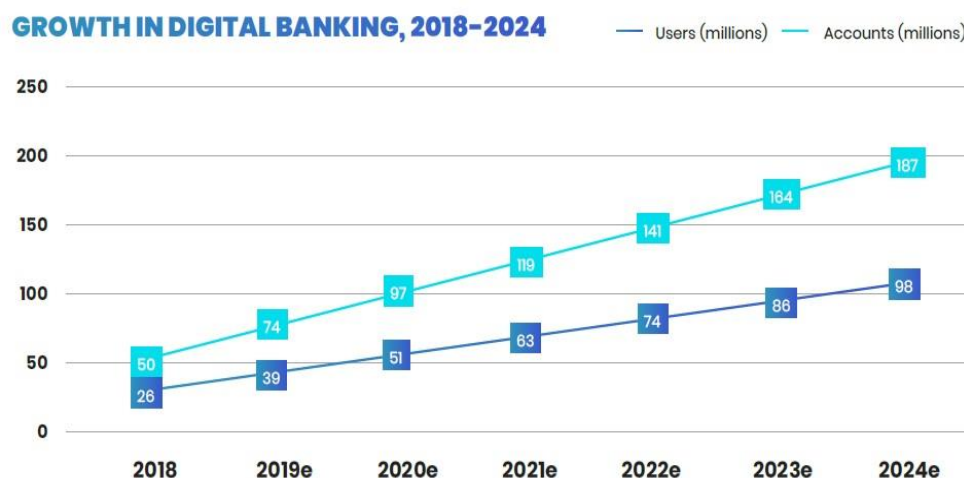
The earliest forms of digital banking emerged in the 1960s. It was a period when the first ATMs and debit cards were introduced. These products were revolutionary for many reasons. For one, for the first time in history, banking customers could access their funds 24/7. Until this point, consumers needed to go to their local branch to withdraw or deposit funds. This process could take considerable time. The introduction of the Internet changed digital banking forever. At first, banks relied on the Internet for internal functionalities such as monitoring accounts or fund transfers. However, by the late 1990s, banks began offering services such as balance updates and fund transfers directly from the digital banking portal. By this point, digital banking was on its way to becoming a major trend.

In less than a decade, the Internet saw a huge expansion in capabilities. The added data transmission and improved computer manufacturing techniques led to the creation of smartphones. Today, it’s hard to imagine life without a smartphone. These handy pocket PCs enabled banks to offer a full suite of products from their portals.

Consequently, a host of new services emerged because of the availability of smartphones. Features such as photo check cashing began to emerge in the market place. This feature allows clients to deposit checks by taking a picture on their cell phone via their banking app.

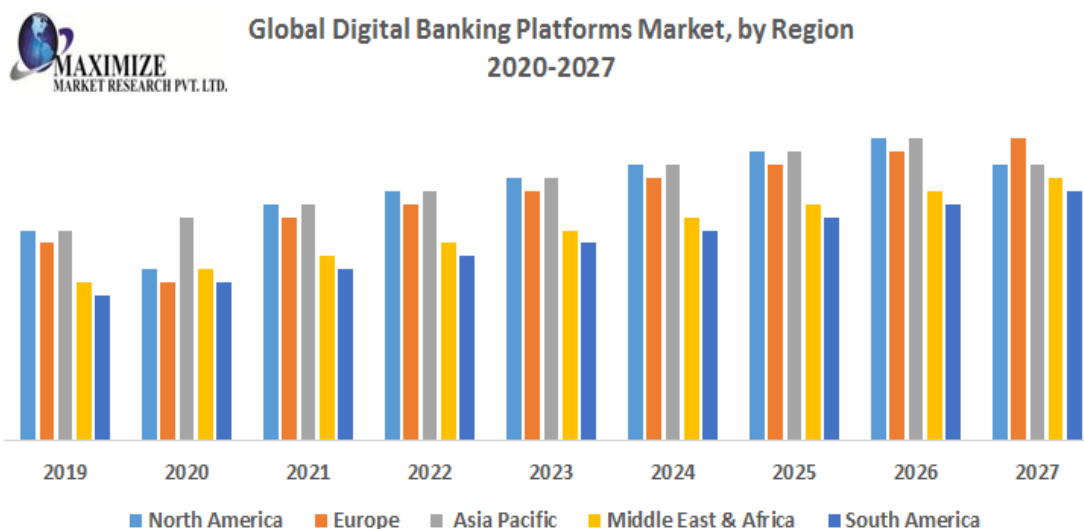
Given all of the advantages digital banking brings to the sector, it’s easy to see why today, every bank offers some form of digital banking to its clients. Both clients and banks have much to gain from this hi-tech integration.

The following chart shows the global growth line of digital banking applications.

Chart 1: Growth in Digital banking, 2018-2024

Source: Business Insider

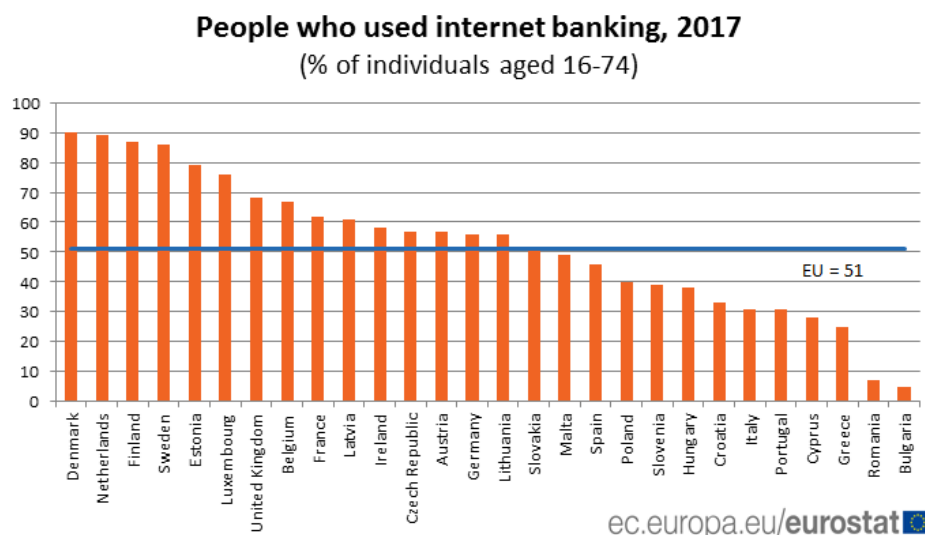
Banks around the world have started adopting innovative, digital-first client services. Although still in its infancy in Europe and North America, fully digital banking is more advanced in Asia, the Middle East and Africa, where banks have fewer legacy systems to manage. This fact is presented on the following chart:

Chart 2: Digital banking by global regions, 2020-2027

Source: Maximize Market research PVT. LTD, 2017

The situation in Europe is presented on the Chart 3:

Chart 3: Digital banking application in Europe, 2017



Around half (51%) of adult Europeans use Digital banking. This share is constantly increasing and has doubled since 2007, when it stood at 25%. Internet banking is particularly popular among 25 to 34 year olds, with 68% using this facility. The use of Internet banking tends to increase in line with the education level of the user. While only 24% of those with low education use e-banking, 77% of those with high education use this service.

Among EU Member States, digital banking is most common in Denmark (where 90% of people aged 16 to 74 said they were using it) and the Netherlands (89%), followed by the other Nordic countries - Finland (87%) and Sweden (86%). The lowest shares were registered in Bulgaria (5%) and Romania (7%). Less than 30% of those between the ages of 16 and 74 use internet banking in Greece (25%) and Cyprus (28%).

The level of usage of digital banking in the North Macedonia is presented and elaborated below.

2. LITERATURE REVIEW

As the commercialization of the Internet and information technology evolved in the early 1990s, traditional brick-and-mortar banks began looking for ways to deliver online services to their customers. The definition of the digital banking differs between different experts because it covers different services that can be achieved through different devices and in different forms.

According to Forbes (2021), the term digital banking combines online and mobile banking services under one umbrella. Online banking means rendering banking services via bank's website and mobile banking is realized via mobile devices, such as smartphones or tablets. It provides regular banking services, but on a website or a mobile application. In digital banking, the Internet is key in order to open a bank account, transfer funds, set up direct debits, make remote payments, send remittances and do other bank operations without visiting a branch.

Digital banking means the automation of traditional banking services. Digital banking enables a bank's customers to access banking services via an electronic/online platform. Digital banking means to

digitize all of the banking operations and substitute the bank's physical presence with an online presence, eliminating a consumer's need to visit a branch.

Some advantages of online banking go hand-in-hand with simply being online; others are competitive advantages provided by online banks taking advantage of their cost structure. (Csiszar, 2017). The most important benefits provided by online banking include:

- **24/7 account and service access** - online banks are accessible 24/7, and some take this perk one step further, giving clients 24/7 phone access to a real-life customer service agent. This can be extremely helpful if a client doesn't have access to the Internet, or feel that needs the assistance of a human, rather than a computer algorithm. Online banking allows users to use banking services 24 hours a day, 7 days a week, 365 days a year, i.e. working hours are not limited. All banking services are available whenever the user needs them.

- **Speed and efficiency** – this is one of the most prominent benefit from digital banking and offers a great comparative advantage related to the traditional banking. So, if the customer needs to transfer money, apply for a new loan, or perform nearly any banking transaction, he/she would typically have to wait in line at a bricks-and-mortar banking location. With an online banking, there's never any waiting. Consumers can access their accounts, request a new credit card, or perform nearly any banking transaction they desire without driving down to a bank or waiting in line. Through online banking, the user is enabled to execute transactions quickly, without going to the bank and waiting at the counter, which allows the client to perform the necessary transactions in a much shorter time.

- **Online bill payment** - One of the great advantages of online banking that almost every consumer is using is online bill pay. It takes is a simple click for customer to automate and track the payments.

- **Low overhead can mean low fees** - Online banks don't have to pay for things like electricity, janitorial services, landscaping, or rent, so they can pass those savings along to customers. Typically, this means that online banks can charge fewer fees than traditional banks.

In spite of their many advantages, there are some drawbacks to using online banks as well. Here are some of the downsides of working with an online bank:

- **Technology issues** - online bank depends on the Internet connection. If there's a problem with the connection, the customer might not have any access to the accounts. While some banks offer a phone number for customer service, it might be overwhelmed if online access is down. With a real bank, customers can always find someone to talk to in the branch.

- **Security issues** - while many online banks are reputable and well-established, sometimes it can be hard to feel comfortable with a bank that doesn't have a physical presence, particularly when large sums of money are involved. There's also the risk of identity theft, or actual theft, if someone gains unauthorized access to the customer account via a hacked or stolen password.

- **Inefficient at complex transactions** - online banks might be able to transfer money between accounts or pay bills, but customers are more comfortable with an international, bricks-and-mortar bank if they have complex transactions.

- **No relationship with personal banker** – sometimes it is good for a customer to develop a relationship with a personal banker and talk and share openly his/her financial opportunities or problems. This cannot be done when online banking is used.

3. RESEARCH METHODOLOGY

For the research in this paper, basic analytical, synthetic and deductive methods are used, as well as statistical data. In order to collect appropriate and relevant information, professional literature from domestic and foreign authors, websites, as well as information from business practice, magazines and other journalistic articles from daily newspapers are used.

The paper also contains a survey (primary data) conducted electronically which included different groups of respondents, according to their age, level of education, profession in order to determine the knowledge and application of digital banking in the country.

4. ANALYSIS AND DISCUSSION

In continuation the results of a survey entitled “How much consumers know and use the digital banking products? are presented. The survey was conducted to determine the level of consumer awareness of the term digital banking, as well as whether and to what extent they apply it. The questionnaire was submitted to 70 people, of which 58 people, i.e. 83%, responded. The research period was May 2021. The questionnaire contains closed-ended questions, with multiple choice. The survey method was realized via e-mail, social networks, as well as personal contacts.

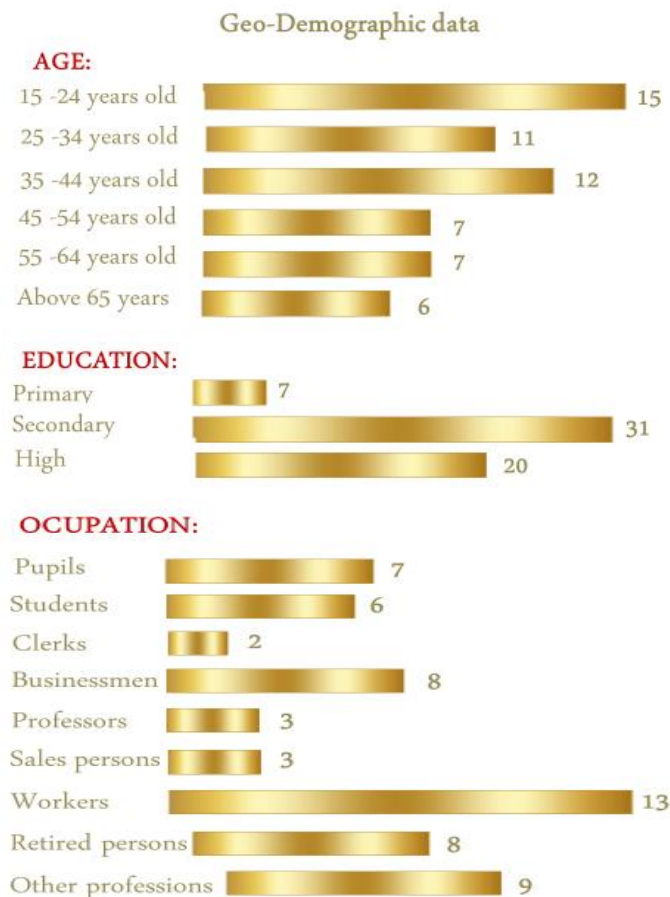
The questionnaire contains several geo-demographic questions (age, level of education, profession), as well as six research questions. The research covered people of different ages, with different professions and levels of education, in order to get an idea of whether and to what extent they influence the decision to use digital banking. Thus, the research included 15 people aged between 15 and 24 years, 11 people between 25 and 34 years, 12 people between 35 and 44 years, 7 people between 45 and 54 years, 7 people between 55 and 64 years and 6 people over the age of 65.

According to the level of education, 7 persons had completed primary school, 31 persons were with secondary education and 20 persons with higher education.

This research included people with different occupations.

The geo-demographic characteristics of the targeted population are presented in the following tables.

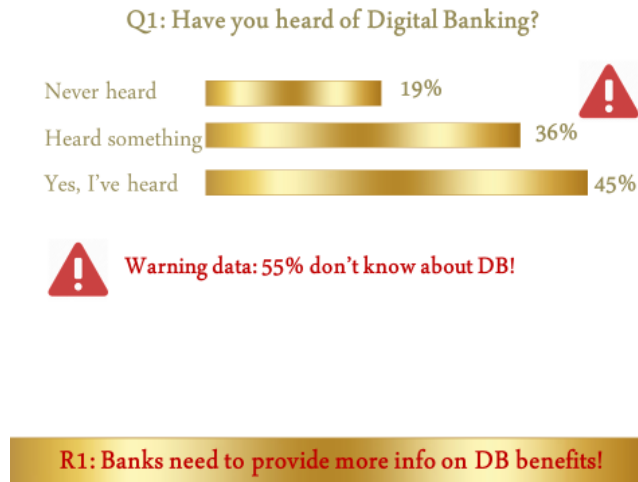
Table 1: Geo-demographic characteristics of the respondents



Following are the answers to the six research questions.

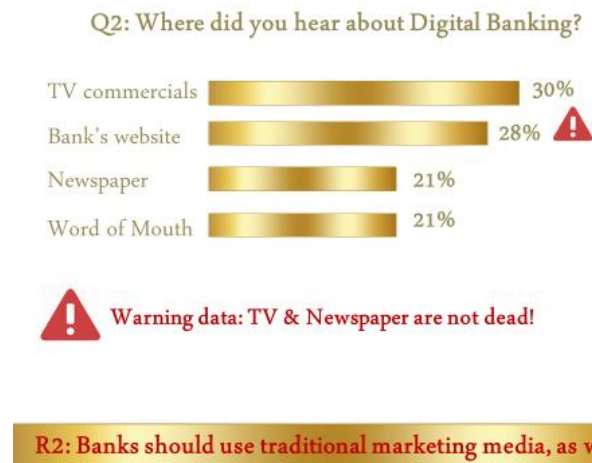
To the first question is “Have you ever heard about digital banking products?”, 19% of respondents said they had never heard of digital banking (e-banking), and 36% said they had heard of it, but did not know what exactly it meant. A large part of the respondents, i.e. 45%, answered that they are familiar with this term. However, a total of 55% of respondents have not heard or do not know the meaning of digital banking, which is a really alarming fact. This percentage presents a worrying data for the banks, as it indicates the urgent need for them to take measures that would increase awareness of the features and benefits of digital banking. For those who answered this question that they have never heard of this term (19%), this is where the survey ends. Most of them are students and retirees.

Table 2: Answers to the Question 1: Have you heard of Digital Banking?



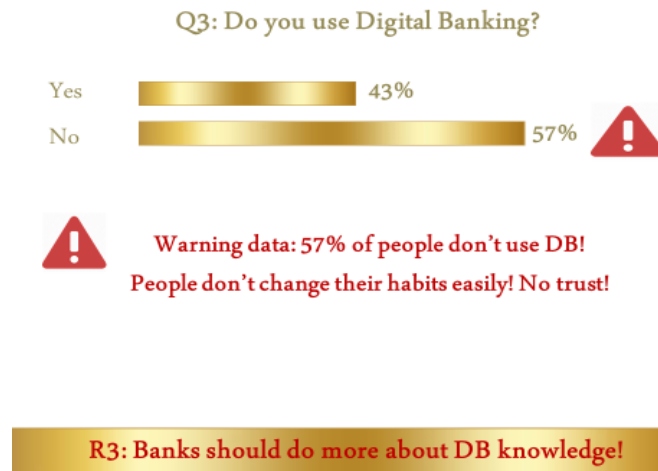
To the second question “Where did you hear about Digital banking?”, 30% of the respondents answered that they learned about the term digital banking from TV, 28% from the bank's website, and 21% from a newspaper. The same percentage of respondents (21%) answered that they had heard about digital banking from a friend, colleague, relative, brochures (“Word of Mouth” marketing). These percentages can be explained by the fact that younger respondents spend most of their time online, while older respondents most often follow information on TV and in the print media. The fact that more than half of the respondents (51%) found out about digital banking from traditional media (TV, newspapers), is a sign for banks not to neglect these media as a way of informing and communicating with the public. People still trust and follow the information from the traditional media.

Table 3: Answers to the Question 2: Where did you hear about Digital Banking?



An alarming answer was received to the **third question: Do you use Digital banking?**. Namely, 43% of the respondents stated that they use digital banking, and a high percentage of 57% of the respondents do not use it. This result is somewhat expected given that digital banking in Macedonia is a relatively new concept, and most people usually accept innovation with distrust. People also change their habits slowly.

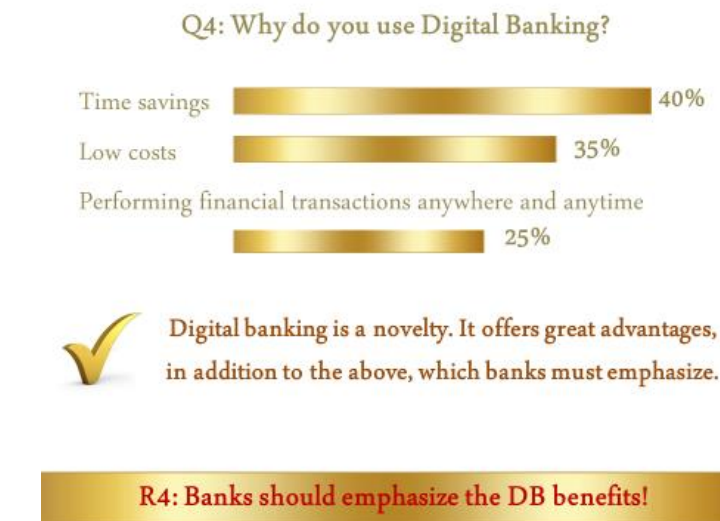
Table 4: Answers to the Question 3: Do you use Digital banking?



The next two questions reveal the reasons why the respondents use or do not use digital banking.

On the fourth question “Why do you use Digital banking?”, respondents actually highlight the features and benefits of digital banking. They pointed out several reasons, such as: 35% of respondents use digital banking due to lower costs, 40% due to time savings, and 25% due to the possibility to be able to make financial transactions at any time and place. It is these benefits that banks should emphasize in their advertising and information messages.

Table 5: Answers to the Question 4: Why do you use Digital banking?



The fifth question “Why don’t you use Digital banking?” is especially important because it indicates where more attention needs to be paid in the future in order to increase the number of e-banking users in the country. Most of the respondents - 45%, cite the security of the transactions as the main reason.

A smaller percentage - 33% do not use digital banking because they are used to traditional banking and do not want to change their habits, and 11% said they have no technical requirements (computer, Internet, mobile phone, tablets, etc.).

Table 6: Answers to the Question 5: Why don't you use Digital banking?

Q5: Why don't you use Digital Banking?



Bank priority tasks: Educational programs, tutorials, trainings, quality assurance, efficiency assurance....

R5: Banks should promote DB better!

To the last question “What digital products have you used the most?”, most of the respondents use digital banking for checking the account (55%). 25% of the respondents use it for payment operations, and 20% use it for payment of monthly overhead costs. From this data it can be concluded that despite the fact that electronic banking offers a number of services, it is most often used to check the status of user account. This is primarily due to the existence of a certain fear in terms of the security of financial assets and data, as well as their misuse.

Table 7: Answers to the Question 6: What digital products have you used the most?

Q6: Which digital products have you used the most?



Digital banking offers a variety of services to be limited on the “checking account” only!

R6: Banks should inform & promote DB better!

From the results of this survey, it can be concluded that the lack of information, the slow change of customer habits and the fear of inappropriate use and potential losses are the most common reasons for the slow growth of the number of e-banking users in recent years. To speed up this process, some of the

Macedonian banks are trying through various promotions and marketing actions to encourage the citizens to use e-banking services.

In principle, Macedonian banks offer some of the digital services that are similar in nature. Customers are satisfied with the services of banks. But banks need to inform customers more about the new uses and benefits of digital banking.

5. CONCLUSION

The rapid development of technology was reflected in banking, changed the way banks operated and enabled the introduction of new digital banking products. Digital banking, as the execution of banking transactions electronically, without a physical visit to a bank, has greatly improved and facilitated the work of both users and the banks themselves. Its significant advantages over traditional banking have contributed to its quick acceptance by many banking customers around the world.

Some digital banking services are also offered by Macedonian banks. The number of services available to Macedonian consumers is lower than the services available in developed European countries, but banks are gradually introducing new services in order to bring electronic banking closer to as many as possible to citizens and meet their needs. The research shows that the number of transactions performed through electronic banking in our country is relatively small, and most of the users most often use it to check their accounts. However, this banking in our country is still relatively new and the information about its features and opportunities is low, and the citizens usually slowly accept the innovations.

Hence, the following recommendations for Macedonian commercial banks can be suggested:

- Banks need to provide more information on digital banking benefits!
- Banks should use traditional marketing media for communication with target population!
- Banks should do their outmost to change the old habits of consumers! This they can do with promotional packages and messages! Most helpful are the tools of the sales promotion!
- Banks should emphasize the security and efficiency issues!
- Banks should provide educational programs, tutorials and training to the customers about digital banking!

The future is in digital banking and that is why banks must be prepared. Or as experts are saying: "Banks have to upgrade themselves or risk being burnt to the ground".

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