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## **APPLICATION OF MARKETING INSTRUMENTS IN THE BANKING CRISIS**

### **Introduction**

The use of marketing instruments in a crisis in the financial institution can be a significant help in faster deactivation of a crisis. The article presents research in the area of customer sensitivity (preference) for marketing in a crisis at the bank.

The thesis of the article is the following: the effectiveness of marketing instruments in the bank during the crisis depends on the structure of the portfolio of customers, including their sensitivity to the effects of different instruments. Therefore demoscropy research is needed in this area, which will form the basis of the composition of crisis marketing instruments.

The authors formulated a research question that marketing activities are preferred (positive reception) by customers of the bank, which is in a crisis situation. Such knowledge is essential to develop an effective strategy for disabling a crisis. Correctly chosen strategy and plan for crisis management is a sine qua non of recovery.

### **The theoretical aspects of marketing in crisis**

In the management theory, crisis is a situation of confusion, uncertainty and collapse. P. Lagadec defined the crisis as “a situation in which the organization found itself face to face with the critical issues and the experiences unrelenting external pressure and internal pressure deep. (...) This all happens in a society where there are mass means of communication that transmit direct crisis situations many mass audience and at the same time provide the company affected by a crisis, the central and long-lasting position among distributed information.”<sup>3</sup> This definition exposes an important role of PR in a crisis.

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<sup>3</sup> M. Ogrizek, J. Guillery, *Communicating in Crisis. A Theoretical and Practical Guide to Crisis Management*, New York 1999, p.44.

P.F. Drucker has formulated an approach to the crisis as an inevitable phase of the life cycle of the company. He considers that the crisis in the company is a consequence of life cycle phases of sectors, particularly for specialized enterprises, and investing in research, which are intended to ensure that innovations are not a guarantee to overcome the crisis and will not ensure the survival of the company.<sup>4</sup> The broad definition of the banking crisis (in macroeconomic approach) formulated A. Demirguç-Kunt and E. Detragiache. They consider that whole banking crisis occurs when at least one of the following conditions is fulfilled:<sup>5</sup>

- ratio of overdue loans in the banking sector exceeds 10%,
- costs of operations undertaken in order to rescue of banks amount to more than 2% of GDP,
- the problems of the banking sector results in decisions of banks' nationalization,
- there is the phenomenon of mass run on the banks or the government introduces extraordinary measures (eg, freezing or additional guarantees of deposits, the suspension of banking activities).

For the purposes of marketing, are constructed separate definitions of crisis. W. Budzyński gives the following definition: "the term the crisis will be to determine any unexpected adverse event with a wide resonance in the business environment that can threaten its image." It results from the disturbances in the interaction between the essential business systems, such as the human system, technological, and organizational culture.<sup>6</sup>

A. Adamus-Matuszyńska compares the concept of crisis to the activities in the field of public relations, defining the crisis as a deterioration of the current image of the company (positive, neutral or negative) in the opinion of the local community, regional or more large organizations, social movements and the media as a result of potential or actual events assessed by the negative impact on the safety of people.<sup>7</sup>

Recovery concepts and relationships corrective actions are important for further analysis. Rehabilitation of bank can be interpreted broadly, as any restructuring and reorganization legitimate crisis or the threat of its occurrence. However, in terms of the strict sense - rehabilitation is corrective actions as a process that occurs in the bank, implemented in accordance with the rules laid down in the laws. It also requires special management instruments, including marketing.

According to I. Mitroff and C. Pearson crisis management "is the proper management of the organization for five separate phases, characteristic for all this type of situation, namely, signal detection, preparation and prevention, harm reduction,

<sup>4</sup> See: P.F. Drucker, *Innowacje i przedsiębiorczość. Praktyka i zasady*, Warszawa 1992, p. 138.

<sup>5</sup> A. Demirguç-Kunt, E. Detragiache, *The Determinants of Banking Crises: Evidence from Developing and Developed Countries*, IMF Working Paper no. WP/97/106, Washington 1997, p. 12.

<sup>6</sup> W. Budzyński, *Wizerunek firmy*, Warszawa 2003, p. 167.

<sup>7</sup> A. Adamus-Matuszyńska, *Wybrane problemy public relations*, Katowice 1999, p. 80.

a return to the situation before the crisis and science which comes from this”<sup>8</sup> In recent years, there is a new management theory, so-called turnaround management. It is a management restructuring of the company conducted to a crisis or temporary difficulties. This is a special case conditions, which in a short time and flexibility should be made major changes.<sup>9</sup> In the banks, these processes are associated with the maintenance of depositors’ trust.

### **The role of the web tools in crisis**

Internet raises the chances of effective deactivation of a crisis but also the risk of loss of trust in the market, and even induce a crisis. S. Bibb and J. Kourdi distinguish fair and authentic communication acknowledging that it is a critical element in creating a trust capital.<sup>10</sup> On the Internet, information adverse to the bank can spread very quickly. Preventing this process requires the bank to create new and comprehensive monitoring tools to the public and the emission the current information. In addition to traditional web sites, there are a number of other options that may be factors of acceleration the crisis. These include among others mails, groups and discussion forums, blogs, non-commercial vortals information, search engines, personal web pages and negative websites. An example of use of the negative website were action taken by a group of dissatisfied customers of BRE Bank.<sup>11</sup> To prevent crisis’ acceleration by false or preconceived information (black PR) is required by the bank implementation of the emergency plan, the following actions:<sup>12</sup>

- identify and respond to problems reported by users of the Internet,
- monitoring information on the bank on the Internet,
- analysis of information provided by competitors and other stakeholders,
- sending e-mails to customers,
- the organization of new channels of information (press conferences, call centers and others).

In the efforts to deactivate a crisis in addition to traditional methods, are important new channels of communication, including bilateral information. However, research suggests that the primary role does corporate website, which is usually the most effective medium.<sup>13</sup>

<sup>8</sup> I. Mitroff, C. Pearson, *Zarządzanie sytuacją kryzysową*, Businessman Book, Warszawa, 1998, p. 28.

<sup>9</sup> P. Faulhaber, N. Landwehr, *Turnaround – Management w praktyce*, Wydawnictwa Fachowe CeDeWu, Warszawa 2005.

<sup>10</sup> S. Bibb, J. Kourdi, *Trust Matters: For Organizational and Personal Success*, Palgrave Macmillan, 2004, p. 121.

<sup>11</sup> P. Masiukiewicz, *Zarządzanie sanacją banku*, Warszawa 2011, p. 394.

<sup>12</sup> P. Masiukiewicz, *Czarny PR a bankructwa banków*, [w:] *Public relations i marketing w nowoczesnym społeczeństwie*, (red.) M. Kaczmarczyk i Z. Widera, Sosnowiec 2013.

<sup>13</sup> M. Woźniakowski, *Zarządzanie sytuacją kryzysową poprzez internetowe public relations*, (w:) *Nowa ekonomia instytucjonalna wobec kryzysu gospodarczego*, (red.) T. Rudolf, Kielce 2012.

## The role of the informal communication WOM

Word of mouth in the bank crisis is particularly hazardous and may result in the escalation of panic. WOM is defined as the informal transfer of information between customers on products, services, or companies in turn in marketing. Another definition it's following: it's the channel of interpersonal communication, in which actors are neighbors, friends, family and friends expressing their opinions in interactions with potential and current buyers. Most often the message is classified as positive or negative.<sup>14</sup> According to some research, negative WOM among consumers is more likely to decrease in future income business as compared to the chance that there is an increase of income in the event of a positive message.<sup>15</sup> Negative WOM is associated with gossip, slander, etc.

M. Ogrizek and J.M. Guillery argue that ignoring the rumors and persistence in the belief that logic will prevail or overcome common sense can have serious and long-term consequences. Rumors cannot be ignored, they carry a potential crisis.<sup>16</sup> Survey among customers of Polish banks indicate that the most common source of information about banking products were those derived directly from employees of banks and printed handouts. However, they attached great importance to the opinion of customers friends and family. However, a smaller role played by advertising in the mass media.<sup>17</sup> The role of the informal information among bank customers also show A. Sołoma's research, conducted among bank customers.<sup>18</sup>

Research in other countries also shows that the informal communication stronger than advertising, affect decisions about choosing a bank, and the immediate environment is considered to be the most reliable source of information.<sup>19</sup> In the American Bankers Association analysis indicated that the most important factors for choosing a bank for small entrepreneurs are positive opinions of other companies submitted WOM channel.<sup>20</sup> WOM channel's strength can be increased if the trust drops to official media.

<sup>14</sup> See: A. Sołoma, *Komunikacja nieformalna na rynku usług bankowych dla mikro i małych firm*, [w:] *Harmonizacja bankowości i ubezpieczeń w skali narodowej i europejskiej*, (red.) M. Marcinkowska, S. Wieteska, Warszawa 2007.

<sup>15</sup> M. Soderlund, S. Rosengren, *Receiving Word of Mouth from the Service Customer. An Emotion-based Effectiveness Assessment*, „Journal of Retailing and Consumer Services” 2007, no. 1, p. 124, cited by: A. Sołoma, *Komunikacja nieformalna na rynku...*

<sup>16</sup> See: M. Ogrizek, J.M. Guillery, *Communicating...*

<sup>17</sup> J. Pachucka, *Promocja - ważny element strategii*, „Bank” 1998, no. 12.

<sup>18</sup> A. Sołoma, *Komunikacja nieformalna na rynku...*

<sup>19</sup> A. Burgiel, *Czynniki pozaekonomiczne a decyzje rynkowe konsumentów*, [w:] *Rynkowe zachowania konsumentów*, (red.) E. Kieźel, Katowice 1999, p. 166 and next.

<sup>20</sup> P. Dalton, *Small-Business Marketing*, „American Bankers Association – Bankers News” 2006, no. 14.

**Table 1.** The assessment of the public opinion and businesses on the media's presentation of the financial crisis in 2010 (in% of responses)

No.	The terms of the assessment of media	public opinion, N = 1007	businesses N = 300
1	Exaggerate, sensation-seeking	34	56
2	Unnecessarily scare people, and thereby deepen the crisis	29	34
3	They hide the real impact of the crisis	17	16
4	They try to objectively inform	17	14
5	I do not know, it's hard to say	15	2

Source: *Wizerunek polskiego sektora bankowego. Edycja 2010*, Raport Pentor, ZBP, BFG, BIK, Warszawa April 2010.

Pentor recent survey indicates that the presentation of the subprime financial crisis in the media, public opinion negatively judged by the way its presentation - which is illustrated by Table 1. Media sensation seeking and unnecessarily scaring people may become unconscious accelerator panic bank customers, and even its original source.

## Potential customer behaviors based on research results

In the period 2008-2013, three surveys have been carried out clients, in the sources of information and opinion about banks, potential behavior in a panic, loss of trust and vulnerability to marketing instruments from the bank.<sup>21</sup>

As many as 83% of customers in 2008 and 86% in 2010. were using online banking. In 2013, the use of the banking confirmed 98% of respondents. Web clients is certainly a segment that is growing rapidly and in the coming years will be a major part of bank customers.

Instrument for the exchange of information and building relationships with clients are nowadays website. When asked whether the respondent uses their bank website answers were varied. The largest number of respondents confirmed that the use of bank website several times a week or 39% in 2008 and 31% in 2010.

Respondents as the main source of information and opinion about the bank which they assumed the account most frequently exchanged opinions of friends and family (and therefore the source of word of mouth). Pointed to no more than 45% in both years. It is significant that those using the Internet, so with almost unlimited access to information, when choosing a bank driven by the source of the colloquial, environmental information - WOM.

<sup>21</sup> The study was exploratory, using mall intercept. Attempting non-random Internet users reached 651 people in 2008, 625 people in 2010 and an attempt to students SGH - 277 people in 2013, more than 95% of respondents used the banks. The study group was characterized by an early Internet age, about 80% of respondents ranged 18-29. The study was conducted in the period I - IV in each year, the SGH research, under the direction of P. Masiukiewicz. Questions were closed, but an opportunity to be writing their own proposals to the questions in the „other” entries, however, there were very few. See: P. Masiukiewicz, *Zarządzanie sanacją banku*, Warszawa 2011.

In the cited study, respondents were asked about their reactions possible in the situation of being informed about the troubles of the bank from which the services are used. When asked what will you do if the media will be one information about your poor financial situation your bank - most of the respondents answered that nothing will wait for further information. About 38% of the respondents would like to check the information on the website of the bank (in 2008 – only 14%) and 14% of respondents in all years will check information online forums (and the respondents are using the Internet, after all!). Approximately 16% of the respondents in all years said they would have to withdraw all or part of the funds. When asked what will you do if the media will be a number of negative information about the bad condition of the bank, what decision you will make - about 1/5 of respondents would be able to a bank branch, 15 - 17% would do nothing while waiting for further information and 13-14% of those surveyed would make the checking information on Internet forums.

When the number of customers withdrawing all funds will add to the number of people who want to withdraw part of the funds (not insured by the Bank Guarantee Fund) to receive 22.9% of the persons intending to, as a result of negative information, to withdraw cash from the bank in 2008, 25.6% in 2010, and 40,4% in 2013. This is a significant percentage, given that the source of information (in question) are the only media.

Respondents were also asked what source of information about the situation of the bank will be the most reliable in case of hypothetical financial difficulties and the bank crisis, which have informed the media. Most indications related to the president of the National Bank of Poland on the situation of the bank, received a personal letter from the bank with the information and statements of authorities in the field of finance in TV. Opinion of the local priest and the information of friends and family received the least indication. (Table 2) Customers - as it seems - in this case, appreciate the formal sources of information, hence probably a high number indicated on the letter from the bank and low public indication of the bank's board members and information from dedicated phone line (except for 2013).

**Table 2.** From what sources of information about the situation of the bank will be the most reliable in case of hypothetical financial difficulties and the bank crisis, which the media reported? (answers in%, possible to mark up to 3 answers)

No.	Skurce of information	2008	2010	2013
1	A personal letter from the bank of information for you	33.4	19.4	42.6
2	Information on the bank's website	15.7	9.1	37.6
3	Information from the bank's dedicated telephone line	3.9	2.3	12.3
4	Speech of the president of the board of the bank on TV	14.6	8.5	29.2
5	Members of the board of the bank of expression in the press	8.4	4.9	18.8
6	Statement by the president of the Polish National Bank on the situation in your bank	42.6	24.9	50.5
7	Personal visit and interview at a branch of your bank	15.4	8.9	21.7
8	Speeches authorities in the field of finance in TV	30.4	17.6	4.43
9	Information from friends and family	5.3	3.1	9.0
10	Opinions and information from the local parish' priest	0.9	0.5	3.6
11	Other	1.4	0.8	5.0

Source: Ownstudies.

**Table 3.** If you find out that in the bank in which you have invested funds is panic and customers withdraw deposits standing in the queue for several days, what action you will take? (select one answer) Figures in% of responses

Lp.	The potentialcustomerdecisions	2008	2010	2013
1	I'll stand in line and withdraw my savings from the Bank	14.5	16.3	17.7
2	I'll stand in line and withdraw more than the amount of guaranteed savings for reimbursement by the Bank Guarantee Fund	8.4	9.3	22.7
3	Wait out the crisis, did not undertake any action	10.4	10.1	9.4
4	Will request additional information in the bank, with advisers or the NBP, and only make a decision	61.4	60.6	45.1
5	Otheraction	5.3	3.7	5.1

Source: Ownstudies.

Another question related to actions that respondents would work if they knew that their bank where the funds are invested, is panic and customers withdraw deposits - standing in line for several days. Surprisingly, 61% (45 % in 2013) of respondents in both years indicated that they will seek the additional information in the bank, with advisers or the NBP, and only takes a decision, about 10% decided to wait out the crisis, by not taking action.

Few respondents formulated different answers, but they all boil down to the Internet transfer to another account in another bank. Thus, about 25% of the respondents is determined that the withdrawal of funds from the bank in a panic. This ratio appears to be high, because the respondents had time to think, they did not act under pressure of time, circumstances and pressures of the crowd - as it happens in a panic.

**Table 4.** If the bank, which was in crisis, reported by the media, suggests a new advantageous offer, you will remain a customer of the bank? (Select one answer) Answers in%.

No.	The potential customer decisions	2008	2010	2013
1	Under no circumstances will remain a customer of the bank	29.38	27.2	50.9
2	Remain a customer, if you get a higher interest rate on deposits than other banks	25.88	26.72	24.2
3	Remain a customer, if you get a lower interest rate on loans than other banks	11.29	11.36	11.6
4	Remain a customer if I get lower commissions and fees than other banks	10.71	16.48	8.3
5	Remain a customer, if I get a new, medium-term deposits with prize draw, which will replace the current bank deposit rates, while maintaining existing	1.56	2.08	1.8
6	Remain a customer, if you get a free personal account management for 3 years	4.09	2.72	3.2
7	Remain a customer, if I get a free investment advice for 1 year to invest in securities and investment funds	6.62	4.16	2.2
8	Remain a customer, if I get a replacement deposits on 5-year bonds with interest rates slightly higher than the interest rate on government bonds	5.45	5.44	6.5
9	Other	5.06	3.84	1.8

Source: Own studies.

The object of the study was the possible reaction to the bank's marketing instruments in a panic (Table 4). Respondents were asked whether the bank's customers have remained in a crisis situation where the bank will propose a new advantageous offer. Approximately 50% respondents in 2013 (in 2008 and 2010 it was about 30 %) answered that in no case will remain a customer, a quarter that would remain if the clients will receive higher interest rates on deposits than other banks. Few respondents indicated that they will remain in the bank, if it receives a lower interest rate loan. Some popular were two proposals in the area of investment (new products), namely:

- free investment advice for a year to invest in securities and investment funds (new product),
- conversion of bonds, bank deposits in the 5-year interest rate is slightly higher than the interest rate on government bonds (new product).

It can be concluded that a significant portion of customers is susceptible to marketing instruments in the area of products and prices.



## Outline of marketing management model in a crisis

The framework model for crisis management in the bank marketing can be described as three stages of management. Depending on the type of panic and its numerical range according to temporal criteria, the individual steps of action should be modified.

Stages of marketing activities may include the following:

1. Information activities:
  - financial supervision of public information on the bank's board of trustees and objectives.
  - information management and investors about the lack of a future threat of bankruptcy and the concept of rehabilitation of the bank,
  - information management correcting erroneous opinions and comments,
  - Information direct to customers (call management, leaflets, special telephone lines, etc.),
  - implementation of detailed monitoring of daily liquidity, provide sources of refinancing.
2. Stopping the crowd reaction:
  - appointment of the staff responsible for the various strings clients and organization lists of payments,
  - estimate the number of customers served per day and posting messages on the likely timetable for withdrawals,
  - the application of the rules of reciprocity in dealing with clients (advice, providing drinks, etc.),
  - development of a "return offer" for people who already broke deposits containing beneficial financial incentives (eg. cancellation period from breaking deposits to pay the deposit, increasing interest rates, etc.),
  - personal letters to the board with an offer to return customers and focused PR activities.
3. Phase of a planned reduction of panic:
  - the program of positive action and its popularization, including convincing the bank will operate and has the concept of a recovery plan that is strategic investor who recapitalize the bank and that the bank is solvent,
  - the implementation of an emergency action plan for maintaining liquidity and continuity of payments and other marketing activities crisis.

The key measures in the management of the race for cash include: information management, organization of payments by customers and maintain liquidity, and a new, favorable product range.<sup>22</sup>

<sup>22</sup> P. Masiukiewicz, *Zarządzanie produktami w warunkach kryzysu banku*, (w:) *Zarządzanie produktem – teoria, praktyka, perspektywy*, (red.) J. Kall, B. Sojkin, Poznań 2008.

Financial supervision imposed on the Polish banks to apply methods of identifying, monitoring and measuring the liquidity and contingency plans to ensure uninterrupted operation. Part of the ongoing strategy and crisis management procedures should be procedures of marketing crisis management.

## Conclusions

In a crisis situation the bank's marketing instruments deactivation of such a crisis can be very useful, as confirmed by both the research and the experience of Polish banks crisis management. Diversification of the portfolio of customers in individual banks is the need for demoscopypresearch in any crisis situation - as a vulnerability to the impact and perception of various marketing instruments by the micro-environment of customers.

In general, marketing issues examined crisis is unlikely, and the publications are negligible. The usefulness of marketing in crisis management cannot be overestimated, hence the need for further research on an application for economic practice.

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