

INTERNATIONAL MARKETING MIX IN THE TIME OF CRISIS IN EUROPE

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Abstract: *The purpose of this research is to gain better understanding of banks' marketing mix in the time of an international financial crisis. The objective of the study is to find out how has Garantibank used the marketing mix to overcome the negative impact of the latest global financial crisis and how and why has the marketing mix of this particular bank changed over the different stages of the latest financial crisis. The changes in particular marketing mix elements will be described. Findings done in the area of each case will be compared. In this way similarities and differences between marketing mix decisions in the two countries will be examined. This will help to find the reasons of those changes in the time of a global financial crisis.*

Key words: *Financial crisis, International marketing mix, Garantibank, Turkey and Romania*

Introduction

When working in international markets, companies have to adapt or standardize their marketing mix. Keegan and Green (1999, p. 28) consider that: "the essence of global marketing is finding the balance between a standardized (extension) approach to the marketing mix and a localized (adaption) approach that is responsive to country or regional differences." Some parts of the marketing mix are far more adaptable than others: place, promotion and price. According to Onkvisit & Shaw, 2004, "the product is the hardest element to adapt". Thus, the elements of international marketing mix should be seen as being at various points of a continuously standardization where the product and service image is usually easier to standardize than individual country pricing (Doole & Lowe, 2001).

1. Standardization versus adaptation of marketing mix

The success of an international firm is determined on what marketing strategy the company is going to use (adaptation or standardization). The decision to choose one or the other is based on business aims but also on cultural varieties (Hollensen, 2001).

Nevertheless, according to Hollensen, (2001) the product is the part of the marketing mix easiest to standardize. According to Onkvisit & Shaw (2004), product standardization is an approach where a company is able to export their products to international markets without any essential changes due to the similarities in necessities in international market. Product standardization is less used for services because these need to be adapted to the culture of the country (Czinkota & Ronkanen, 1995).

Thus, many international banks develop a global product including regional differences and culture specification into one product which can be accepted in all countries. This product is made on international bases. By choosing this strategy, banks take into account local needs and requirements. This alternative is only effective in a

foreign culture close to the home company culture. Indeed, in some international markets, the bank has to do changes in the marketing mix because differences between the home culture and the foreign culture are too big (Czinkota & Ronkanen, 1995).

Thus, a company has to decide the degree of adaptation of the product. If they don't succeed in modifying their product to specific markets, it can be a big problem and can result into a disaster (Douglas & Craige, 1995). Elements that need to be adapted in a product to local market and culture are design, brand names, wrapping, colour of the product, etc (Keegan & Green, 1999).

The second component of the international marketing mix is the price. In this case too, the company needs to choose between standardization and adaptation. The firm needs to be careful about these factors to be able to decide which approach is the most effective (Keegan & Schlegelmilch, 2001).

Standardizing price means that the head office fixes a price that is applied in all international markets without taking in consideration various factors (inflation, customer preferences, etc). Standardized is usually used by companies in B2B market than in B2C market since they are less price-sensitive (Hollensen, 2001). However, the companies which use this strategy, do not respond to local conditions and thus they cannot maximize the profit either (Hollensen, 2001).

The other method is to adapt the price to local conditions and is a way for the firm to achieve success (Onkvisit & Shaw, 2004). Banking managers need to establish price according to the foreign market and foreign consumer's incomes. Adapting the price is sensitive to local conditions; but on the other hand; it gives the company the opportunity to take advantages of price differences (Keegan & Green, 1999).

The third component of the marketing mix is the promotion, which can be adapted or standardized. It means creating advertisements that work in different countries and cultures or create a

different advertisement in each country (Keegan & Schlegelmilch, 2001). When a firm decides to standardize the promotion, marketers create an advertising message which is effective at global level (Keegan & Green, 1999). The standardization of the promotion means that same promotion is used globally (Onkvisit & Shaw, 2004). Standardization of the advertising message leads to cost minimizing but they can not forget that customers are different in all countries. Promotion can be “affected by language, religions, laws, economic differences and media availability. All these factors create a need of adaptation for advertising messages” (Theodosiou & Leonidou, 2002). In several countries, advertising can be translated into the local language but in other countries it is impossible, so, an entire change of the advertising is required. Thus, “adapting the promotion means only little modifications rather than a radical redesign” (Douglas & Craige, 1995). Adapting the promotion through minor change is a cost effective strategy, since changing promotion message is not such an expensive thing to achieve (Hollenson, 2001).

It is difficult to standardize the distribution since there is high variation of channel distribution depending on each country. Since “there are different channels of distribution, there are different places of distribution” (Keegan & Green, 1999). Multinationals firms operate through subsidiaries, so headquarters not really know the distribution channels. Indeed, it is not the headquarters that control the distribution channels but actually, the subsidiaries in a local level. Channels for industrial products are less varied with manufacturer's sales force, wholesalers, and dealers or agents utilized. However, in B2B markets the channels are shorter; the reason is that channels are more direct (Keegan & Green, 1999).

Adapting or standardizing the distribution channels depends on various factors among which we mention “the customer, the culture and the product. Distribution channels are the component of the international marketing mix that can be more adapted” according to Onkvisit & Shaw (2004). This depends on incomes, buying habits and distribution's infrastructure. A company has to adapt for others reasons like for example when it has a sales volume, a level of involvement or a product line not ordinary. The “distribution channels have a degree of adaptation or standardization depending on which country the company operates” (Onkvisit & Shaw, 2004).

The marketers and managers “have to understand all the aspect of the distributions channels because this contributes to the success of the company and without this understanding the firm

can't be in a leader position” according to Keegan & Green (1999).

2. Garantibank's Marketing Mix in Turkey and Romania. Comparative View

2.1.Product

The cross-case analysis will be presented in a form of matrixes showing similarities in the decision made in the area of each marketing mix element trough two stages of the crisis. The offer of Garantibank in Turkey did not differ significantly from the offer in Romania. However, during the crisis some changes in were introduced in both markets.

When the crisis started, Garantibank in Turkey introduced several changes in the product strategy. In terms of **variety** of the products, no major changes were made and no new products were implemented. That is opposed to the recommendation of scholars. The reason is that because the customers lost the trust in the bank it was difficult to push the products. The aim was to rebuild the confidence with the clients and keep up the relationships. A sells pushing was not good thus, there was no investing in R&D.

In the case of Garantibank in Romania no changes in the assortment of products were made due to the difficult financial situation of customers. The focus was on communicating with the customers rather than on pushing the products.

The perceiving of **quality** of the products changed when the crisis hit Garantibank in Turkey. Before, the focus was on providing new products. In the containment level, the focus shifted towards rendering solutions for satisfying the needs of the clients.

It was during the crisis when Garantibank (Turkey) realized that by focusing on the needs of clients it can ensure the quality and thus encourage clients to remain with Garantibank. Another feature of quality was the **focus on value**. Since customers became more sensitive about the value of purchased products, Garantibank modified the offered value by adding value to their products. This turned out successful. The bank kept this approach in the next stage of the crisis. Learned during the crisis, this approach has been implemented as a general feature of Garantibank's product strategy at all times.

In terms to quality of the products, Garantibank in Romania discovered customer orientation. In the beginning of the crisis, it understood that quality products must meet the needs of clients. Thus in both levels of the crisis, customer orientation was implemented.

When talking about **design**, Garantibank from Turkey simplified the products. For avoiding the

risk a review of the products design was made. The work on the design still continues.

In terms of **design** (Romania) nothing changed in the containment level. Maybe because Garantibank in Romania struggled with economic matters and there was little time and resources to work on product design. In the recovery level a change occurred in the manner of calculating the interest rate, by counting the risk of the product into the rate.

Another modification in Garantibank in Turkey in products strategy was the change of **brand** values. Customers in Turkey changed their expectations by seeking a safe bank to take care of their financial situation. By changing the brand values Garantibank from Turkey wanted to show that the company can meet the clients' expectations.

In Romania, in the containment period the new brand values have been introduced. The new brand vision was accurate since those were what clients in Romania were looking for.

In terms of **services** (activities) in Turkey a change occurred. Garantibank understood the importance of being close to the client, being an advisor, thus shifted its focus toward customer orientation.

From the first days of the crisis Garantibank in Romania knew that the contact with customers and general public is major. The bank was seeking for dialog with the customers. In both stages, client service was on big importance. This approach might be one of the keys in maintaining the trust in Garantibank in Romania.

The last change in the products strategy concerns the **warranties**. Banking products are always associated with risk, thus scaring customers away. Therefore in the recovery period, the bank from Turkey started to claim that they will sell only safe products, which the customers can afford. The safety has been communicated as a feature of products quality and reducing customer's uncertainty.

As for the warranties, a modification has been introduced when the crisis started. It was a growth of the level of guarantees. Still, this was not Garantibank's decision but due to governmental regulations. Hence, this change was influenced by external factors.

Analyzing the changes in products strategy that has been made by Garantibank in Turkey, during the crisis, we realize that the product strategy was not very different in the stages of containment or recovery. The major product decisions were not influenced by the crisis. Changes made in the first period were kept and developed in the second stage. The two decisions that modified over time concerned the augmented and actual product. Those were decisions about warranties and

service. However when looking at the empirical findings it becomes clear that the change was not major and it was more a matter of time/resources cuts to not introduce those changes in the first period.

The actual and augmented product of Garantibank in Romania changed when the crisis started. Modifications were made around the quality of the products, the warranties, the brand values and the service. Those issues changed in the containment period and remained the same in recovery. Also the design modified in the recovery period. Surprisingly, the product strategy did not depend on the crisis stage. It appears like the crisis was a stimulus for continuous changes in the product strategy rather than for adaptation to present conditions.

2.2.Price

Price is being described as the marketing mix element which is easiest to change. This statement seems not to be true for banking sector. In this sector the prices depend on the market and the rates are influenced by the macroeconomics. Although the company was bounded by market mechanisms, they made some changes in the pricing in the time of the crisis

During the crisis, prices of Garantibank's product modified due to the changes in the market. Still, this was not the company's decision. Also, an intentional change occurred when, in the recovery period, Garantibank in Turkey decided to increase the interest rates on the deposit site in order to convince the customers to keep their capital in the bank. This led to an increase of clients' profit.

Due to the unfavorable shifts in the market, the profits of Garantibank went down after the crisis started. In the first months, Garantibank sought opportunities to generate additional profit and thus introduced low provisions for transactions that before were free of charge. This was a good choice since prices are only accepted by clients in the specified level.

When talking about banking products, a marketer needs to count in the product's conditions such as loan term, the method of calculating interest, costs of security, the conditions for early repayment of loans or the consequences of the resignation from the product. Taking this into consideration, Garantibank revised their pricing strategy. They made a modification in the manner they calculated the rates. The rates introduced in the recovery stage were addressing more the level of the risk. The reason of this modification could be that Garantibank learned a lesson from the crisis: that the price must involve the cost of the risk.

During the crisis, the clients in Romania became quite sensitive about Garantibank's prices. This is why the bank was forced to decrease some of the prices in the phase of containment. It referred

mainly to the interbank fees. The motivation was both: internal – in concordance to the overall marketing strategy, which consisted of building a positive image of the company, and external – in concordance with the “customers’ perception of the product’s value” (Kotler et al., 2008). While recovering, the bank kept the prices on the lower level because the clients were inclined to bring the discussion about the high prices. According to Koksals & Ozgul (2007), “there is no difference in the scale of sales between companies who decide to decrease the prices in the time of the crisis and those who maintain the level of the prices”. Therefore, it can be considered that there is no point in lowering the prices. Still, in case of Garantibank in Romania the major reason for the shift of the prices was rather in order to avoid criticism then increasing the sales. In the same time, Koksals & Ozgul (2007) consider that, the price has to be examined in collaboration with the rest of the elements of the marketing mix. The case of Garantibank in Romania confirms this. The bank combined all of the marketing mix elements for achieving the overall marketing goal. During the crisis, Garantibank in Romania was trying to find additional sources to raise the profits and thus introduced fees for cards and channels usage which were kept also in the recovery stage.

Summarizing the shifts in promotion strategy in Turkey, the period of containment the promotional activities were drawn back. This element did not have a major role in surpassing the first stage of the crisis. The company decided to stay passive in this area. That can be interpreted as a mistake, because it is recommended in the containment period to make effort in order to get control over the impact of the crisis (Fearn-Banks, 2007). This shifted a lot in the recovery period. In this stage all the promotion instruments were used a lot. Promotion turned into the core of marketing mix in this period. The main reason for this shift could be that when the crisis began, Garantibank was not ready to adopt an efficient promotion strategy and no activities were made. In the later periods, the company has become more experienced and came up with a wide marketing campaign. Another change was adopted in the containment stage of the crisis in Romania through loyalty and bonus programs introduction which offered to loyal clients preferable financial conditions. For Garantibank this represented a manner of building long-term relationships with the clients, which was in line with the general tendency in Garantibank’s activity.

2.3.Promotion

Apart from promotion, the internal marketing proved to be important, with major focus on

communication. As seen, Garantibank’s employees had an important role during the crisis. In the containment period, personal selling was the only promotion instrument used. Therefore, well informed and trained staff counted a lot. “Well informed” refers to the understanding the bank’s strategy, objectives, brand essence and approach in the crisis situation. For achieving this, Garantibank in Turkey invested a lot in internal marketing.

In the case of Garantibank in Romania, the crisis was connected to losses in credits and difficult situation of many clients. Therefore, sales’ growth became impossible. Thus the company drew back most part of its promotion activities in the first period of the crisis. The instruments that have been used actively were advertising and PR. On the contrary, in the phase of containment, the usage of most of the promotion instruments grew. Still, Garantibank did advertise itself in the Internet -through their webpage since Romanian website of Garantibank has approximately 400.000 daily logins, what made it reasonable to use this channel for “specific target groups”. Nevertheless, the above mentioned authors consider advertising a costly type of promotion. For Garantibank it was done on their channel and this was cost efficient. Heavy sales push was recorded neither in the recovery period nor in the final stage of the crisis. The focus was on relationships with the clients. Still, in the recovery stage Garantibank used advertisement in TV and internet, through a commercial showing the roots of Garantibank and connecting Garantibank in Romania with Garantibank in Turkey. Internet was used because it was less costly.

In the time of the crisis, sales promotions were not used by Garantibank in Romania. Because of high costs.

In the recovery stage, personal selling was common in Garantibank in Romania, but this shifted in the containment period. The cause was the fact that at first, the bank didn’t want to push their products, thus the personal contact being of great importance. The only thing which remained in the containment period was the advisory role of Garantibank’s employees. The focus was: promoting banking solutions to the clients. Kotler et al. (2008) considers personal selling done for the aim of achieving sales and building clients relationships. Garantibank in Romania used both in the recovery time.

When the crisis started, direct marketing was not used. A shift occurred in the recovery period. Garantibank in Romania began to use this instrument and the client’ needs map. Using the information achieved through personal contact, an offer was made that matched to the segment a

client belonged to. Thus, the bank was approaching the clients through direct marketing. PR was the most important promotion instrument for Garantibank in Romania during the crisis. In both stages the bank was very active in communication with the clients, the government, the wide public and the media. Major objectives were: establish positively esteemed image of the bank; get favorable publicity; handle negative rumors, stories; and to present the bank as a trustable producer and partner (Debski, 2007). Thus, Garantibank in Romania used this tool as the core of promotion strategy in crisis time.

2.4. Place

In Turkey the distribution channels were very important during the crisis. In the containment period, both branches and phone banking had a crucial role. In the recovery period other channels attracted attention of Garantibank. Physical distribution was carefully considered as well.

In the containment period, the Garantibank's branches in Turkey were the place where clients received information about clients' financial situation. No modifications in the branches channel were made. The importance of the personnel was however great. Thus, it was crucial that employees realize the essence of the company's client approach.

In the recovery period, Garantibank in Turkey understood the importance of strong branches network. Also, the company knew that the contact with the clients is important. This was according to shifts of the other marketing mix elements: product and promotion. Since product strategy was centered on relationships with clients, keeping the branches network turned into a part of the marketing strategy. This was quite a challenge, because during a crisis, a company is trying to cut costs. Therefore the bank had to decide whether to reduce the number of the branches or reduce the employees' number. The decision was to keep the branches. Still, the focus of the branches' role shifted. In the recovery period, Garantibank in Turkey converted the branches in a place for building relationships with clients rather than for making transactions and operations.

Internet banking was not relevant for marketing for Garantibank in Turkey in the containment period. This channel was used because many clients are online-banking users. Still, no focus was put on improving the web site or encouraging the clients to use it more. This shifted in the recovery period. As already seen, Garantibank in Turkey decided to move the operations from branches for using the staff to build relationship. Internet was the main alternative channel for doing this. In the recovery period the company put effort in encouraging

clients to use Internet banking. This solution can bring cost efficiency for the bank and the clients. In crisis period, people became sensitive to costs, thus, it appears reasonable to introduce the shift at this time.

Just like branches network, the phone banking was very important in the containment period. Clients were looking for answers about the crisis. Phone call was the easiest manner for the clients to get in touch with the bank. Thus, Garantibank focused on training the staff to be reliable while talking with the clients. Phone banking was used quite a lot before the crisis and in the recovery period. Still in the containment period it has been, next to the branches, the main place for meeting clients.

Mobile banking is well known in the banking sector. However, Garantibank in Turkey did not focus on improving this channel in the period of crisis containment, but it changed in the recovery phase. When Garantibank in Turkey was coming out of the crisis, the bank began to work on its distribution channel. The bank's management considers that most clients are very rational when picking the channel. Thus, having a multichannel strategy is logical for offering the client a choice of channel that will fit best his desires and necessities. Keeping that in mind and considering the development of phone technologies, Garantibank in Turkey decided to develop the Mobile banking channel. This step lets reaching clients who are time and cost sensitive and familiar with the technologies.

When the crisis started, Garantibank in Romania closed some of their branches. The decision was taken according to the customer flow evidence. Sometimes, the costs of keeping a branch were too high in contrast to the customer flow. This phase came to confirm Koksals and Ozgul's (2007) theory, according to which during a crisis, a company should reduce unprofitable intermediaries. By doing this, the performance of the company can grow positive, by diminishing operating costs and improving cooperation within the channel.

In the recovery period, some new branches were opened. One more time, the decision was based on the client flow evaluation. Garantibank in Romania did consider client relationship in the stage of recovery and got ready to reorganize their branches network. Thus, the company could perform efficiently. It can be considered that the reason for making this decision was the crisis. Thus, Garantibank understood how to handle their resources more efficient.

Internet banking has been used by Garantibank in Romania intensively in both the containment period and recovery period. The bank encouraged the clients to keep on using this channel, out of

two main reasons: first, Internet does not represent just a distribution channel but is also a communication and promotion channel. Second, client contact through Internet is more efficient than the personal contact when it comes to banking transaction. Garantibank decided in favour of Internet channel instead of branches since it is more environmental friendly, this being very important for Garantibank especially because the bank sees itself as a social responsible organization, taking care of the natural environment. The Internet channel suffered no shifts according to the periods of the crisis in the case of Garantibank in Romania.

Similarly to the Internet banking, the phone banking was used during the crisis in a normal way. No changes were implemented in this channel.

When the crisis started, mobile banking was not important for Garantibank in Romania. Later, in the period of recovery the bank decided to adopt Mobile banking as a channel. This occurred

because, Garantibank changed its' overall strategy, to satisfy clients' need in the best possible manner. Adding a new distribution channel was offering the clients another alternative when choosing the manner of connecting with the bank.

Also, this could have occurred due to technological evolution and competition. If the bank wanted to be competitive, it needed to employ the most innovative technologies. This is why, in the recovery period, the company implemented smartphone solutions in order to ease the access to banking while using Mobile banking.

Garantibank in Romania adopted an innovative manner for increasing the access to the bank in places where this was limited either because of the distance of the branches or because of the limited access to Internet: the Garantibank bus - a branch on wheels. The moving branch can be considered an instrument or a mobile branch.

Conclusion

The first main objective of this study was to gain better understanding of banks' marketing mix during a global financial crisis. Second, it was to present how banks used the marketing mix in order to fight the negative impact of the latest global financial crisis. Third, it was to find out how and why has the marketing mix of a bank changed over the various periods of the latest financial crisis.

Thus, it was noticed that not all of the marketing mix elements contributed equally to fight the negative impact of the global financial crisis.

Promotion appears to be of core importance. It can be concluded that, during a financial crisis banks should shift the role of promotion from promoting products towards communicating with the clients and general public. Another conclusion is that, open communication can limit the period of the crisis and prevent it from amplifying.

At the same time, place appears as a major factor during the crisis. It was especially important in the case of Garantibank in Turkey, where due to the trust issue, the personal contact with clients was very important. The branches network contributed quite a lot to external communication. The shift of the distribution channels has appeared crucial during the crisis. Changes in the channels can lead to a growth in the financial efficiency, what is often crucial in turbulent times.

The role played by the product was less important in facing the crisis. A major tendency observed was the change from product pushing towards a client oriented approach. In both cases analyzed, during the crisis, the bank changed the whole organization philosophy. Therefore, Garantibank resigned from product centered activities and emphasized instead satisfying clients' necessities in the best possible manner.

Price seemed to be the last useful marketing mix element when fighting the crisis. It is mainly because of the specification of banking sector, which limits the ability of bank to handle the prices. Still, a bank can encourage clients' reaction to some extent for example by using loyalty programs or changing the manner of calculating rates. Also, a bank can increase profits by using new fees for products which used to be free of charge before.

When examining the usage of marketing mix in the time of a global financial crisis, another finding appears interesting. The study revealed the importance of the human factor. The frontline staff turned to be crucial in meeting the clients, communicating external, mitigating the negative rumors. As already shown, professional, well trained staff has great importance when fighting the impact of the global financial crisis. The activities of HR have been significant in both cases: Turkey, where the aim was to rebuild the trust and in Romania, where the bank was handling financial difficulties. Therefore it can be concluded, that during a crisis, banks should add an additional element to their marketing mix. This element is "people".

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