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Going beyond expectations: banks strategies attract and retain or deter tertiary students' clientele

Abstract

The study assesses whether the banks' strategies help to attract and retain or deter tertiary students from their businesses. It aims to highlight the banks' need to go beyond expectations in nurturing their students' clientele. The study can be the banks' stepping-stone into the seemingly neglected tertiary student (TS) market. Using observation method and bank consultants' interviews, this study probes South Africa's (SA) major banks' service time-lag together with student product offers and information accessibility. The study focused on whether different banks' product offers, costing and service quality do attract and retain or deter student clients. The questions were based on students' saving/cheque accounts, credit card and loan facilities accessibility.

Findings. Product offers and information were inadequate from branch visits and website searches less informative. Queues time-lag differed from bank to bank, but, overall, unreasonable for TS market with product limitations and generalized information not specific to students' needs. Further research can be undertaken to gain in-depth understanding of whether urban banks' strategies for students are distinct to those of semi-rural areas, which was the scope of this study.

Banks services are significant for maintaining students' profiles, providing traceable trails, of sponsors, families and financial transactions, which will be valuable even for periods beyond their academic life. Many live away from their secured homes, expected to survive with limited resources and time constraint. Nurturing these relationship would prepare students for the financial market demands much to the benefit of all stakeholders.

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Introduction

Banking institutions, like many other businesses in South Africa (SA), are under pressure to develop their business, attract and retain their client base, as well as strive for profit maximization as their major business objectives. This is achievable when costs are kept to a minimum and those which cannot be avoided are adding value to business operations. How can these objectives be achievable when the massive student market is unexploited and under-serviced by South Africa (SA)'s four major banks? Standardbank, ABSA, Nedbank and FNB are among the banks offering student accounts, except for Capitec, which offers no student account, however, they are allowed to choose from the bank's generalized products. In order to increase their competitiveness, banks needs to appraise their service quality to levels of or better than those of their competitors, as well as choose the relevant communication strategies to reach the target market. The aim is to gain a market share while increasing sustainable profits through attraction and retention of clients, hoping they would remain loyal to their services (Need, 2006; Jham, and Khan, 2009; Škudienė, Nedzinskas, Ivanauskienė and Auruškevičienė, 2012).

The banking relationship building process would be incomplete without tertiary student client base. The need for SA banks to evolve with strategies and products that are relevant enough to retain their client base, as well as to attract many more, has reached critical levels. The student market has been classified as a lucrative business venture because of its ever increasing buying power (Mokhlis, Mat and Salleh, 2008). The student numbers continue to climb, as registration opportunities increases. Just over a period of six years, SA's public tertiary student population increased by 184 208, from 799 490 in 2008 to 983 698 in 2013 (CHE, SA, 2013), equivalent to 123% increase. The numbers could be many fold, as private tertiary education has also become popular in recent years (though the statistics could not be obtained). The student market is, thus, a force to be reckoned with compelling business to acknowledge their existence and incorporate their needs into development strategies. Thwaites and Vere (1995), however, warn that students' attraction is an expensive venture, even more costly if the marketing expenses returned less than the desired results. In trying to balance the two, the banks must guard against deterring students service utilization.

Banks would have to revisit their selection criteria for products such as student credit card, debit or cheque accounts together with the necessary incentives and reward systems worthy of maintaining a

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continuous relationship with any of the formal banks. Students, on the other hand, need to appreciate the banking services and strengthens relationship that can serve their interest to continue into their careers much to the benefit of all stakeholders. Mokhlis, Salleh and Mat (2011) found extensive youth savings culture in Malaysia and other Asian countries better than it was for developed nations like United States and United Kingdom. The culture begins with most parents opening their children's savings accounts from the time they are still very young to inculcate saving habits. The saving behavior continues as children enter teen years (Mokhlis et al., 2011), meaning that they would be better prepared adults, with less financial woes than their peers from other countries.

The opposite is, however, true for SA student market, still lagging behind with a few having financial maturity to comprehend and continually use banking services. In any case, the bank services would hardly be missed, as students prefer cheaper, once off card-less services, facilitating money transfers and receipts whether or not they possess a bank account. SAs major banks joined grocery supermarkets and post offices in offering card-less services, even though it competes with its own desire to establish lasting relationships with account holders.

Whatever the strategy banks need to come full cycle into nurturing their relationship with students and encourage their bank accounts maintenance. The services could offer a reliable conduit for families and sponsors to channel funds while building profiles usable for negotiating favorable financial deals. Banking products need to suite the student market, meet their unique needs distinct from those of the adults and elevate their status to levels better than when they do not utilize the service.

1. Background

Historically banking services were sector related. This arrangement limited cross sector competition as commercial banks focused on businesses while building societies were responsible for housing finance (Thwaites and Vere, 1995; Ongore and Kusa, 2013). Lately the dynamics in banking have changed altogether, with product demand and market segmentation, in terms of the generation, economic status and geographical location. Bank management need to make operational and strategic decisions for sustained profitability and to survive in a highly competitive market (Pellicano, Vesci, Troisi, Cosimato and Tuccillo, 2014).

A vibrant tertiary student market has emerged and SA's major banks have not fully tapped in the demands. Commercial banks need to understand the students' unique needs in order to meet their expectations and make it worthwhile for both parties to maintain relationships. It is up to the banks management whether they will seize the market opportunity and build a reliable client base.

2. Problem statement

SA's four major commercial banks offer tertiary students bank account, yet, the products design still neglect to cater for clients' unique needs (at low/no costs, with incentives and information accessibility) distinct from adult's products. Suitable students' products (savings/cheque accounts, credit card, loans) are limited, while little is known about those on offer. It, thus, suggests inadequate or irrelevant marketing strategies for the students market. Generalized information not specific to students needs, while the process is time consuming, both from the branch visit and websites searches is a clear deterrent to students. SA's banks are also among the providers of the popular once off card-less services. These services only require a valid mobile number to withdraw the money, contrary to the banks' desire to attract and retain clients with lasting bank accounts.

The reason for not capitalizing on the cardless service's key attraction to incorporate into the banks' product design is not understood. The strategies to meet students' needs beyond expectations would be difficult to resist. Students would afford to maintain a bank account while developing the market development, thus, nullifying competing card-less services.

3. Literature review

Student accounts are often designed for young people who meet the specific age criteria, studing at an accredited tertiary institution. The accounts charge much lower fees than normal cheque/current, or savings accounts, however, it also earns 0% interest on the credit balance (Wheretobank, 2016).

3.1. Other countries student products. Competition has compelled banks to focus on students market both as a source of new accounts and future profitability (Mokhlis, Salleh and Mat, 2011). Banks in other countries are willing to sacrifice their immediate profits, charging no fees on students' accounts hoping for future economic benefits and relationship building. Such services are common with full-time students and the elderly (Choe, 2009). In the United Kingdom (UK), for instance, most student accounts charge no fees, unless the prescribed limit is exceeded. The banks also allow interest free overdraft facilities of between £1,000 for year one to £3,000 in year three of which interest is payable in post-graduation. Exceeding the limits results in heavy penalties, in addition to the person's risk of damaging their credit history (Money, 2016).

Australia charges no monthly or annual fees in the first year on student credit card, plus there is an option of no annual fee each year thereafter (Commonwealth Bank of Australia, 2016). The benefits are twofold: students save costs on adherence to the banks' pre-scribed limitations and the facility instills a sense of discipline, which they can be carried through well into their careers. Students must also compare offers in multiple banks rather than settle for convenience of those on campus or closer by to get the best offers.

Kenya is following suit with bank cheque accounts to specifically fit the needs of the young adults studying in tertiary institutions. Banking services are offered at reduced costs with additional benefits such as interest free transactions, the expectations being to establish loyalty with their customers as soon as they earn own income (Njiri, 2016) and their career.

The above products instill a sense of discipline to students, exposing them to what constitute financial risks while allowing them to access financial services to their advantage when contractual obligations are complied with. The behavior can be carried into the students' adult life making them financially matured people committing less financial blunders.

4. The South African market, how does the country compare?

The trend in the South African banking market is that monthly and service fees are levied to bank account holders whether or not the service had been utilized including student accounts. On the other hand, 0% interest is earned on the account credit balance, resulting in less and less access to what was deposited or kept in the account. As it is, standard bank SA offers the most reasonable students' account option, charging no banking fees and other limited benefits for tertiary students (Wheretobank, 2016). The drawback is, however, that the bank is doing poorly on marketing its product. Little is known about the product benefits, thus, few beneficiaries to the product offers or users of those banking services. Interest free loans, together with credit card facilities for tertiary students, hardly exist in the SA's banking system. The services are accessible to students who can provide the necessary collateral or securities, a demand affordable to a few elites from well off families or those with sponsors, leaving the rest of the student population in disperse.

The following is a summary of SA's four major banks students' account fees structure.

Table 1. Banking fees in SAs bank

	ABSA	NEDBANK	FNB	Standard Bank
Account name	Absa Student Silver Current Account	Nedbank Dezign Student Account	FNB Life Start	Standard Bank Student Achiever
Fees valid until	31 December 2016	31 December 2016	30 June 2017	31 December 2016
Monthly fee	R21	R18	R23,50	None
Age criteria	18 - 27	16 – 26	18 – 25	16 – 26
Free subscription to online ban-king app & cellphone banking	✓	✓	✓	✓
Free unlimited purchases swiping	✓	✓	✓	✓
Free debit orders	✓	✓	✓	You get a total of 8 electronic Trans-actions Included each month*
Free electronic transfers and payments	✓	✓	✓	
Free SMS payment notification	✓	✓	✓	✓
Own bank ATM cash withdrawal	Free	Free	6 free thereafter 1,26% of amount withdrawn	*The above statement also applies here R4 + 1,20%
Cash withdrawal using another banks ATM	R9,95 + 1,3% of the amount withdrawn	R11 + 1,32% of the amount withdrawal	R6,50 + 1,26% of withdrawn amount	R10,70+ 1,20% of with-drawn mount
Cash withdrawal at the till	R3,95	Free	Free	R5
Cash withdrawal at the branch	R50 + 1,55% of the amount withdrawn	R35 + 1,32% of withdrawn amount	R33 + 1,49% of withdrawn amount	R33 + 1,40% of the amount withdrawn
Cash deposits own bank's ATM	Free	R5 + 0,66% of deposit amount	0,7% of deposit amount (R5.50 min fee)	R4 + 1.30% of the amount deposited
Cash deposits at the branch	R8 + 1.5% of the amount deposited	R10 + 1,32% of deposited amount	1,35% of the amount deposited (R43 min fee)	R11 + 1,30% of the amount deposited
Card replacement fee	R100	R50	R75	R52,50

Source: Wheretobank SA (2016).

5. What is in it for the banks?

Usually banking institutions have focused on servicing the middle and upper class communities whose saving patterns were higher than those of the poor (Venieris and Gupta, 1986). Undeniably, the poor may not bring wealthy deals individually, but, collectively, their business could have a significant impact on the banking industry when they are in the majority, as the case is in SA. Atkinson and Messy (2013) concluded that financial exclusions were associated with poverty and lower levels of financial literacy. Financial inclusion can pave the way for mobilization of untapped savings in societies and channel it towards investment, resulting in growth in different sectors of the economy (Sukumaran, 2015; Beck, Demirgüç-Kunt and Levine, 2000). The growing numbers of tertiary students, lately, in addition to increased funding opportunities from the government, significantly indicate that tertiary student market is lucrative and a force to be reckoned with.

Meyer, Zimmerman and Boshara (2008) predict that students who start building assets in their youth are likely to continue the trend throughout their adult lives, and ultimately leading to economic and social advancement for themselves, their families and the economy. That chance is made possible with the understanding that students are sensitive to prices and would choose banks with the lowest or no bank fees, in addition to clear incentives and perceived high quality of service. The banks willingness to sustaining the less lucrative accounts when students are still studying could create a level of trust which continues into their career and promotes loyalty (Matthews, 2004; Stewart and Durkin, 1999). Otherwise, they risk losing the potential client with elevated income permanently.

On the other hand, students stand to lose the opportunity to create credit profile usable for negotiating favorable credit deals. The impact of such lack would be felt more in post schooling when the need to acquire expensive resources such as properties and cars as young adults becomes urgent. The safe haven for preserving excess income for wealth creation or plan for unforeseen eventuality would also be lost.

The banks inability to nurture lasting relationship with students while they are still studying has its shortcoming to both the student and the banks.

6. Theoretical perspectives

According to Nordman (2004), theory provides the foundation for considering and understanding the world. The study adopts the Theory of Constraints (TOC) addressing issues related to firms losing their customers to competitors or the need to attract more customers to sustain profitability (Chigamba and Fatoki, 2011). The conceptualized philosophy of continuous improvement begins with the basics, then evolves and expands, allowing its method to progress over time. Originally developed by Dr Eliyahu Goldratt, TOC encompassed a systematic approach to organizational problem-solving in the form of providing a means of identifying the constraining factors preventing a company from achieving its goal through to "breaking" the constraints and repeating the process of improvement (Kim, Mabin and Davies, 2008). Customers rather, have also been found to switch to alternative financial service products looking for quality, speed of service and staff courtesy in return for the least possible price (Kim, Mabin and Davies, 2008).

With the student population under study, banks have been labeled as having unaffordable relationships including standard bank which charges 0% fees within the prescribed limited usage. SA banks have not been able to master the identification of and breaking the constraining factors preventing them from achieving the golden goal of attracting and forming lasting relationships with tertiary students. Standard bank's services are under-utilized and the benefits go to waste, while it, together with the country's other major banks, offers no products with benefits comparable to those under card-less services for account holders with the ability to formulate lasting relationships with tertiary students.

7. Methodology

SA's four major banks offer account specifically for tertiary students (see Figure 1), except for the fifth bank (bank E) with limited banking services and nonspecific for tertiary students. The bank is, however becoming popular with students as the next best thing after card-less services because of its below average service costs. The bank was included in data collection, although treated separately because of its limited services not comparable to those offered by the country's four major banks.

Observations were done to achieve the research objectives. Literature from scholarly articles, newspapers, books discussion forums and websites were referred to for validating the arguments in the paper. Four South Africa's major banks' fees structures to student accounts were obtained from the banks websites and compared. A shopping mall nearer to university and easily accessible to students from campus was visited. The mall also houses all four major banks with specific student account, including the fifth bank without student account, but allowing them open access to existing products (though limited) on offer.

The researcher visited the banks at different times of the month to reduce timing biasness joined the queue and turn on the timer to gauge minutes taken to be served by teller/consultant. The objective was to obtain insight onto students' products on offer and what the requirements were to access the service. Time was also recorded at different ATMs during different employees' pay-day (month end), being on the 15th, 25th and 30/31st day, as well as the 1st day of the month when government pensioner and social grants are payout.

Table 2. Results

Banking institution	Consultant product inquiries: A. Do you offer these student products? 1. Cheque/Saving Account? 2. Credit card 3. Loans? B. Information completeness	Consultant access: 1. Time-lag (waiting period) 2. Servic technique	(ATM) Time lag:(waiting period) Off peak (mid-month,Not payment day)	(ATM) Peak-time: Workers payday month end dates-(15th/ 25th / 31st)	(ATM) Peak time Government Pension / Grant payment date 1st day of the month
Bank A	1. Yes students accounts offered 2. Not anymore. Withdrawn because of high defaultrate. 3. No Loans without proof of regularincome / bank statement B. Limited: Referred to broacher and internet forupdate	- 25 minutes - Electronic registration with arrival time and clustered per service required	10 minutes	23 minutes	36 minutes
Bank B	1. Yes students accounts offered 2. No student credit card 3. Assume Loansare given to working people B. None on 1st visit. Advised to return next Friday. 2nd visit still scanty. Referred to web instead.	- 132 minutes - Manual book client register arrival time and service required	8 minutes	28 minutes	45 minutes
Bank C	1. Yes students accounts offered 2. No student credit card except as 2nd card from family member 3. No loans but someone with bank statement can do it on their behalf / stand surety. B. Some insight into students' products. Head office called to verify. Advised to visit the web for updates and additional info.	- 31 minutes - Manual book client register arrival time and service required	15 minutes	33 minutes	64 minutes
Bank D	1.Yes students accounts offered 2. Not to student – as they are high risk customers 3. No student loans offered B. Info based on what adult can do on students' behalf. e.g. education /personal loans when they produce recent bank statement and pay-slips	- 43 minutes - No registration of required service or arrival time kept. Just join the queue and wait for open agent	13 minutes	40 minutes	58 minutes
Bank E	1. No students account offered 2. No student loans 3. No credit cards facility B. Limited products on offer Generalized Information none students oriented. More one size fits all approach. Advised the bank fees are the lowest in the market, which is affordable to students. Focus on price more than anything else industry.	- 47 minutes - No registration of arrival time or required service kept. Agent asks along queue on service needed. No privacy	21 minutes	55 minutes	63 minutes

Conclusion

Bank B branch visits took longer than other banks on average including the period outside peak period (pay day). During the branch visit, one consultant was serving all clients with different needs. During the return visit, only two consultants were serving clients, although it made little difference to the waiting period. The ATM transactions could be performed quicker because of more ATMs all of which were in working order. Student loans and credit cards appeared to be scarce among the students, except for those who are working. It implies that SA's tertiary students, especially those sampled were excluded from participating in the banking services, many of whom were full time students not employed or earning a regular income as required. SA tertiary students are, thus, lagging behind their counterparts in Australia, United Kingdom and those in Kenya.

Government pension and social grant payout seem the most difficult to access services in almost all the banks.

Bank consultants on average were least informed to convince potential client to open the bank account there and then. It would be difficult for the potential client to weigh options and prioritize choice according to what is critical to them, as information on product requirements and benefits are not forthcoming and specific enough to influence decisions.

Information broachers and Internet access should not replace information needs, especially for clients who visit branches to get firsthand information and guidance.

Bank E does not have accounts specifically designed for students, but was included in the study, as it appeals to most students resulting from its fee structure, which is below that of other banks. The bank is regarded as the most affordable (cheapest) in terms of bank fees and charges depending on the kind of banking services required, much of which is pay as you transact (Mail & Guardian, 2011). Bank E could be regarded as fairly new, with limited banking solutions, but meeting basic services not comparable to those offered by SA's four major banks (Mail & Guardian, 2011). It may serve the students' needs while still studying but its 'one size fits all' products will fall short of meeting the finance demand for expensive resource such as cars, property, credit card, etc., after joining the business or job market.

Further studies

Further studies can be undertaken to gain in-depth understanding of other urban banks existing strategies to attract and retain tertiary student to see if it differs to that of semi-rural areas.

Management implications and recommendation

SA's banks strategies attract and retain TS, can serve students in ways that annul the competing onceoff card-less services. The product attraction needs to be understood together with TS expectations from the banks' services. The banks can also draw from other countries students' product quality in terms of cost free services, loans and credit card offers together with risk factors in order to inform their product development.

Students may be regarded as high risk, as many would not earn own income and fairly are newcomers in the finance market. Banks as established institutions can, however, exceed students' expectations by nurturing the relationship that can retain them as loyal clients. Instead of deterring students with fees and penalties, the banks can give grace period to cushion their fees payment before imposing fees on credit cards and loans.

Reward credit balances with interest and obligations compliance, increasing points and credit ratings with elevated above average incentives.

Dedicate a site and a well-informed young person to serve the peers with matched passion, interest and enthusiasm. Set maximum time-frame within which to conclude a service and stick to it to make branch visits appealing. Product access, marketing and update must be in media popular with students, simplified and easily accessible.

Tertiary students need to be financially savvy as the custodians of the next generation and banks have a critical role to play in this regard.

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