

## **CHAPTER V**

### **RECOMMENDED STRATEGIES FOR PRODUCTS AND SERVICES**

In this section, general strategic guidelines will be discussed for the products and services that we feel present the best opportunities for Bank of America Malaysia and at the same time provide a good fit with Bank of America's culture. The recommended products include mortgages and credit cards. In order to support these new products, Bank of America Malaysia should continue to build its deposit base. The recommended services that add more value to Bank of America Malaysia's customers are upscale banking and packaged services for expatriates. We feel that the telephone banking system is an alternative delivery system that Bank of America Malaysia should implement given its one-branch restriction.

#### **5.1 STRATEGY FOR CREDIT CARDS**

We feel that this is a growth market as Malaysian personal incomes continue to rise and fuel consumer demand. The Bank of America's name is a prestige name in the market and can be used for an effective communications strategy.

Offer Bank of America Visa and Mastercard, with classic and gold cards. These are standard products familiar to many Malaysians, so Bank of America

Malaysia's challenge will be in differentiating the product with its name and not in selling the credit card concept.

Price the cards competitively with other credit cards. Although Bank of America Malaysia should be able to overcome late entry using its well known name, the name alone does not justify charging an initial premium for the card.

Distribute the card applications through standard channels. Malaysians, particularly urban Malaysians, are accustomed to seeing card applications in banks and retail outlets. In addition, media advertisements should offer a telephone number where potential customers can call to request an application.

Employ an aggressive communications policy emphasizing the international and flexible nature of Bank of America's credit cards. Malaysians have some doubts about their abilities to use credit cards overseas, especially from Malaysian banks. In addition, Bank of America Malaysia, as a foreign bank, will offer an image of prestige. Advertising should stress international usability and the prestige of international travel and business.

Promote the card with tie-ins and special campaigns. To emphasize the special and international quality of Bank of America's credit cards, Bank of America Malaysia should offer promotions to airlines, hotels, and other services.

## **5.2 STRATEGY FOR MORTGAGES**

As Malaysia's property market continues to grow, so does the market for mortgage financing. Some underlying strategies that Bank of America Malaysia should consider are the followings :

**1. Establish good business relationships with developers.** Bank of America Malaysia should identify bridge-financing opportunities with residential developers as this leads to end-financing opportunities for home buyers. Although the former type of financing is handled at the corporate level, the latter type is serviced at the retail level. One of Citibank's key strategies is in addition of having loan agents stationed at new development sites during phase launchings, they have their agents remain at the premises even when all units have been sold. This strategy allows them to greet latecomers and answer any financing questions they might have. By establishing relations with the latecomers, who are potential future customers, Citibank gains an edge in attracting new customers. Bank of America Malaysia should employ this tactic.

**2. Hire and train good loan agents.** Bank of America Malaysia should hire personnel with mortgage banking experience and train them to be adept at providing good customer service. The quality of customer service provided by local banks is not as high as that of the foreign banks. Bank of America Malaysia can exploit this by providing agents who are personable and patient.

**3. Design attractive and effective mortgage products.** Packaging is a key issue in designing a mortgage product and is perhaps the key to the success of Citibank's Mortgage Power. Citibank's Mortgage Power enjoys strong awareness among Malaysians due to the aggressive and high profile advertising strategy undertaken by the bank. Most mortgage products in the market offer an overdraft feature, a fixed rate for a year, free home insurance, home equity loans and others. Bank of America Malaysia should effectively package a product to include an optimal combination of these features and sell it as part of an overall loan package made available to the employee of corporate clients. Another key issue is loan approval time. In the US, banks utilise intelligent computer systems to facilitate a loan approval process that takes anywhere from two days to a week. Bank of America can leverage off its systems people in the United States to analyse the feasibility of such an option.

### **5.3 STRATEGY FOR DEPOSITS**

Bank of America Malaysia should continue to build on its current deposit base in order to support the launching of new products. The most important selling point for deposit products are the branches. Although Bank of America Malaysia has a one-branch limitation, it can take some immediate steps to expand its deposit base as follows :

1) Offer deposit packages to target segments.

- Design special packages and special promotions for new deposits according to segments.
- Capitalise on its image of a safe and reputable bank.
- Relatively inexpensive way to attract new deposits.
- Become an alternative for high income customers and professional customers who travel abroad and could make use of Bank of America's global presence.

2) Promote deposit options to certain segments of the captive customer base.

- Existing customers who are engaged in other businesses with the bank.
- Employees of corporate customers.

3) Utilise in-branch and newspaper advertising.

4) Allocate resources towards retail deposits. The level of priority accorded to retail deposits should depend on the role of customer banking in the bank's overall business mix.

#### **5.4 STRATEGY FOR PACKAGED SERVICES FOR EXPATRIATES**

Bank of America currently has a number of expatriate customers employed with various multinational firms. Because of Bank of America Malaysia established relationship with these firms, the bank can offer packaged consumer loans that cater to the needs of the expatriate employees.

Interview expatriates to find what banking services they require and what their special needs are. Expatriates are a market segment with particular needs, and Bank of America Malaysia should enhance its understanding of what those needs are.

Select two or three multinational companies in Malaysia and negotiate standard packages with their human resource departments. As discussed in the product analysis section, the services within the package would include current accounts, savings accounts, personal loans, credit cards, and whatever other services the expatriates require. The interviews with expatriates would provide credibility for Bank of America Malaysia to tell multinational companies what banking services their employees need.

Offer the packages to the employees of the initial companies. The standard package would be a menu, from which employees can pick the services they want. Use this process to refine the packages, as well as the communications that go with them.

Negotiate with multinational companies to offer the now-refined package to their employees. The selling points are convenience and reliability, and the opportunity for multinationals to create convenience for their expatriates.

### **5.5 STRATEGY FOR UPSCALE BANKING**

**This service is consistent with Bank of America Malaysia's strategy of targetting high net-worth customers. Bank of America Malaysia already has a base of preferred customers who would benefit from this service. Although the service is primarily a marketing strategy that adds prestige to the bank, the service is already offered by major competitors such as Citibank and Standard Chartered. The current level of customer service for the preferred customers of Bank of America in Kuala Lumpur is already high and well received by its customers. Hence, it would be advantageous for Bank of America Malaysia to build upon this base to offer a standardized set of Upscale Banking services.**

**Design facilities for privacy and luxury. Citibank's priority banking centre is isolated from other banking facilities to ensure privacy and is well appointed and decorated to convey a sense of luxury. Standard Chartered's service quality facility is designed along the same lines.**

**Provide a comprehensive set of special privileges. Bank of America Malaysia should offer the following privileges to its preferred customers :**

- Mail/Fax Banking.**
- Cheque Protection.**
- Priority Cheque Cashing.**

- Consumer Purchase Protection.
- Free Travellers Cheques Service.
- Privileges in other priority centres around the world.

Set a minimum deposit amount of RM200,000 to qualify for the Upscale Banking service. This amount is the current figure Citibank uses as criteria for its priority banking service. Because of the prestige carried by the Bank of America's name in Kuala Lumpur, the amount is reasonable.

#### ***5.6 STRATEGY FOR ALTERNATIVE DEVILERY VEHICLES***

The telephone banking service addresses Bank of America Malaysia's one-branch limitation in that banking services can be offered from any location. It also enables Bank of America Malaysia to reach customers who are located far from downtown Kuala Lumpur.

Enter the telephone banking market. Telephone banking will enhance Bank of America Malaysia's image as an innovative bank with high quality customer service. Telephone banking will allow the bank to better develop its other retail banking products. The bill payments option available through telephone banking is specially attractive in Malaysia. We believe that this is an under-tapped market with strong potential. Bank of America Malaysia should advertise this new option specially in popular Malay and English language magazines and newspapers.



## **5.7 PRODUCT LINKAGES : SINGAPORE AND WEST COAST**

### ***Singapore***

Singaporeans make about 6.4 million visits to Malaysia annually. Their main destinations are Johor Bahru for shopping and golf; and the Genting Highlands for leisure and gambling. These markets provide opportunities for ATM products that can be used in both Malaysia and Singapore.

Golf club membership loans are also a potential product. Bank of America Malaysia should investigate the legality of offering this type of loan to Singaporeans.

### ***West Coast***

Around 72,000 people from the United States visit Malaysia annually. The main purposes of their visits are holidays (37 %) and business (29 %). This market presents opportunities for foreign exchange services, business advisory services, and trade finance.

Bank of America can extend its West Coast facilities to Malaysian investors, exporters, national airline, and shipping companies. Potential products to serve these customers include business advisory services, trade finance, foreign exchange services, commercial loans, and remittances.

Bank of America Malaysia could offer free deposit accounts to Malaysian undergraduate and graduate students in California universities.

## **5.8 CONCLUSION**

Retail banking has undergone a revolution over the past twenty years and all evidence points to ever increasing rates of change, mainly induced by technological advances and customer service. However, the role of retail banking still remains the same, that is the processing of customers payment transactions. What has changed over the past twenty years has been the nature of the information delivery system, the main interface now between a customer and his bank is a computerised terminal or telephone.

The nature of retail banking, i.e., investment in computer and telecommunications technology rather than people and bank branches has effectively lowered the barriers of entry to the retail banking industry, this is evidenced by newcomers to both the credit card and telephone banking sectors of the industry. The irony of the new state of the retail banking industry is that it has been created by banks striving to replace the one transaction method that provided the greatest barriers to entry, i.e., cash.

To be successful in retail banking in the future, Bank of America Malaysia must continually invest in developing new services which can deliver greater

**convenience, speed and ease of use to its customers. As all banks will be capable of payment processing, what will make the difference will be the nature of the delivery system that Bank of America Malaysia provides.**