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Application of Price Bundling Strategies in Retail Banking in Europe

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Abstract:
Application of price bundling strategies in retail banking in Europe is a report based on an empirical study of price bundling practices in Southern, Central and Northern Europe. The current report defines three core price bundling models that are in one form or another applied by the interviewed banks. The models are cost efficiency bundling, cross-selling bundling and loyalty bundling. Price bundling has been started to apply in retail banking in Europe in the 1980's. Price bundling is regarded as an important strategy in the intensified competitive market and it is also supposed to satisfy increasingly sophisticated customers in the future. The price bundles that the interviewed banks apply can be explained by the competitive conditions in the retail banking markets concerning both what the banks aim at, their competitive advantages, and the market factors. Banks in different parts of Europe have different competitive advantages that they find important when pursuing their price bundling strategies. Common to all the markets is the threat of customers to switch banks, which was identified as the main driving force in competition.

Key words: Price bundling, strategy, competition, competitive advantage, retail banking

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1. Introduction

This report presents the results from the interviews about application of price bundling strategies in retail banking in Europe in which several European banks participated between June and October in 2000. This investigation is a part of my doctoral dissertation dealing with price bundling strategies in retail banking from various points of views: theoretical reasons for price bundling in the long term, segmentation of customers through price bundling strategies, exploitation of competitive advantages with price bundling and profitability measurement of price bundling strategies.

The aim of the current research project is to get some empirical evidence of the price bundle models applied in retail banking in Europe, the reasons for its use and the way the success of the price bundling strategies is measured. A special focus in this report is on the competitive aspects of price bundling. Price bundling is generally recognised as a potentially appropriate means of competition in order to acquire new customers, to cross-sell new services to existing customers and/or to retain existing customers (Guiltinan, 1987). There can also be several other motives behind price bundling (Eppen, Hanson and Martin, 1991). Naturally, banks' own resources and situation affect any strategic decision on price bundling application together with the market structure and the experience of the competitive environment (Morgan and Hunt, 1995, Porter, 1985). It is, therefore, important to recognise and investigate the price bundle models in a wider context.

The research questions in this project are the following:

- When did retail banks in Europe first start applying price bundling?
- Why did they start applying price bundling?
- Do they currently apply price bundling?
- What are the greatest problems in price bundling?
- What are the motives behind current price bundling?
- What do the price bundles look like?
- What are the main competitive advantages?
- What factors explain the success of the price bundling strategies?
- What market and economic factors affect the price discount decision most?
- How is profitability measured in price bundling strategies?

The different price bundle models will be presented bank by bank together with a table of some descriptive figures from each bank. After the introduction of the participants, the price bundle models are classified and defined (Table 1) into three categories. The banks are then positioned according to the classification in Table 2. The results are shown subsequently and they are organised by the banks' geographical location: Southern Europe, Central Europe and Northern Europe. The outline of the models presented at the beginning (Tables 1 and 2) also forms a common platform for the final analysis of the different models and the geographic differences in the discussion chapter.

Next follows a chapter about the methodology.

2. *The interviews from a methodological point of view*

In order to answer the research questions, the 18 interviews with retail banks have been done in 6 European countries: Spain, Germany, UK, Italy, Finland and Sweden. Spain and Italy represent Southern Europe, Germany and the UK represent Central Europe and Finland and Sweden represent Northern Europe. Naturally, inclusion of only these countries and only a few banks from these countries will not give a full picture of the price bundling strategies within the geographic area. This limitation is important to bear in mind when reading about the results.

The choice of countries was mostly based on their geographic location in order to lead to the three distinct groups and it was a priori assumed that the differences would increase in proportion to the distance between the banks. The choice of banks in these countries was then based on size, time and cost considerations. Since only one person was doing the interviews they had to be limited in number at the same time as interviews had to be done within a week in each of the countries on account of time and cost limitations. Therefore, only the largest actors in each of the countries were contacted in order to get as general a picture of the region as possible and to cover as much as possible of the market.

In Spain, five banks were contacted (Banco Santander, BBV, *Banco Pastor*, *La Caixa* and Caja Madrid) of which the two banks in italics offered an interview. In Germany, four largest banks were contacted (Deutsche Bank, HypoVereinsbank, Commerzbank and Dresdner Bank) and all of them gave an interview. In the UK six banks were asked for an interview (The Abbey National, *National Westminister [Royal bank of Scotland], Halifax plc*, LloydsTSB, *HSBC* and Barclays). The banks in italics then participated in the study. In Italy, three banks were contacted (Banca di Roma, Banca Intesa [Banco Ambrosiano Veneto] and Banca San Paolo IMI) and there all the banks were interviewed. Concerning Finland, three banks were contacted (Leonia, Osuuspankki and MeritaNordbanken) and three interviews were done. In Sweden, four major banks were asked to participate in the study (*FöreningsSparbanken*, *Handelsbanken*, *MeritaNordbanken* and S-E-B) and three of them offered an interview. The respondents of the interviews were marketing managers for the retail banking segment, senior vice presidents or other development managers for the retail banking market. In one bank, the respondent was an economist not working directly with retail banking business. The interviews took from 1 hour to more than 2 hours to conduct.

A structured questionnaire was used in order to collect the same information from all the banks. This way of investigating was inspired by a large study about bank competition in the UK, in fact one of the largest studies of banking in the UK, that was released during the Spring 2000[1]. The answers in the questionnaire had reference to an assessment of the significance of different factors from 1=insignificant up to 5=crucial. The interviews helped to get all the answers and to clarify the meaning of the questions and concepts used if necessary. Therefore, only in a very few cases, some questions were not answered by all the banks. Should this have happened, a simple average with fewer banks was counted in the answer for the geographic group. Although the answer alternatives to most of the questions were a priori fixed, there was an opportunity for the respondents to fill in other alternatives according to their own experiences. However, only in a very few cases, additional factors were added. Such additional suggestions will be shown in the result chapter under the respective question.

The results are presented in numerous tables in the report. The numbers in the boxes represent averages for the group of banks in the specific geographic region that makes recognition of an individual bank's answers impossible. A standard deviation of the answers is shown in brack-

[1] Cruickshank, 2000, Competition in UK Banking.

ets beside the average response.[2] It illustrates the dispersion of the answers within the group. However, the numbers as such are not the most important results in this report but they indicate the ranking of alternatives that in turn is more relevant to analyse.

This type of investigation is sometimes criticised to be of a subjective nature since the analysis is based on only one or a few persons', who represent the whole bank, subjective answers. There is a possibility that some other person in those banks would have given totally different answers. However, in all cases but one the respondents were responsible for price bundling application and, therefore, in this respect the results are reliable. Also, if someone else had conducted similar interviews about price bundling in these banks, he or she would in all probability have got the same respondents. One additional source of errors in the results concerns the respondents' honesty and energy put on the study. The questions were of a relatively general nature and, therefore, secrecy was not a great problem and there was really no reason to lie. The concepts were discussed and actually the only restriction was time which in a very few cases might have improved the answers. In one case, the interview was done over the telephone. None of these potential inaccuracies were considered to affect the results to any significant degree. Through the interviews it was possible to confirm that respondents were interested in the subject and did their best in most cases. The questionnaire is presented in Appendix 1.

3. *Presentation of the interviewed banks and their price bundling strategies*

Table 1 presents some key figures of the banks participating in the study. The aim of the table is just to give an idea about the size of the bank by means of different measures. Perhaps the most relevant measure in this report is the number of retail banking customers[3] since the other numbers refer to the whole bank and all the activities and are not specific to retail banking. According to the table, Halifax is the largest retail bank with 13 million customers. The other UK bank, HSBC, is the second largest. Also La Caixa in Spain and Deutsche Bank in Germany have over 6 million customers.

[2] The data collected was actually nominal data meaning that any arithmetic operations should not be done since the difference between the numbers cannot be assessed. A proper way of analysing the data would have been to investigate the number of answers and the median. However, in the marketing discipline it is common to assume that the difference between the numbers 1=insignificant and 2=slightly significant is the same as the difference between 2=slightly significant and 3=moderately significant etc. This is also assumed in this report and hence the averages and standard deviations.

[3] A customer is defined as a person having a relationship with the bank. Banks were also talking about active customers who, according to various definitions, used the banking services to a greater or lesser extent. However, the definitions were not comparable between the banks and, therefore, only the gross number of customers is presented here.

Table 1. Some details about the interviewed banks

Name of the bank	Total assets (millions of Euros)	Operating profit (millions of Euros)	ROE	Cost/Income Ratio	Number of retail customers (Millions)	Number of branches	Number of staff
La Caixa	74,217	1,071	17.7%	62.5%	7,0	4,004	17,273
Banco Pastor	7,827	86	12.5%	-	0,65	438	3,004
Banca di Roma	89,636	176	4.65%	-	2,0	1,181	18,307
Banco Ambrosiano Veneto	26,436	231	-	-	1,6	-	-
San Paolo IMI SPA	139,887	1,985	14.0%	56.6%	2,9	1,355	24,133
Deutsche Bank	839,865	2,571	20.8% (before taxes)	75.6%	6,8	2,374	93,232
HypoVereinsbank	503,255	371	3.0%	61.6%	3,0	1,417	46,170
Commerzbank	372,040	1,371	9.3%	68.5%	2,8	1,064	34,870
Dresdner Bank	396,846	2,130	9.8%	66.2%	5,9	1,459	42,294
Royal Bank of Scotland	142,632	1,944	32%	51.9%	2,0	933	18,160[4]
HSBC	913,623	7,350	17.5%	54.0%	8,6	-	-
Halifax	260,179	2,594	18.0%	42.4%	13,0	-	37,000
Leonia	28,229	156	5.6%	69.9%	1,3	120	4,599
Osuuspankki	26,024	450	26.7%	58.8%	2,1	717	8,337
MeritaNordbanken Finland and Sweden	103,977	1,386	20.,9%	56%	6,5	700	18,032
FöreningsSparbanken	93,903	727	15.7%	66.7%	4,2	818	12,791
Handelsbanken	75,628	969	18.4%	49.5%	1,3	465	8,520

3.1. The price bundle models bank by bank

3.1.1. La Caixa

The price bundle model that la Caixa applies is rather an internal segmentation scheme than a specific marketing offer to the customer. The branch manager looks for customers that have five or more relations with the bank (*Pinculados*) or those whose relationship size is over 500,000 pesetas (*Consolidados*). Data mining technique helps to identify the services that would be appropriate to cross-sell to the segments. The branch manager, then, actively decides the prices to be charged to customers based on individual negotiations with the customer. Ultimately, the price depends on a measurement of total contribution of the customer relationship. Pricing rules are, in some ways general, but the flexibility is maintained at the branch offices and ultimately the price is set individually with the customer.

3.1.2. Banco Pastor

Banco Pastor works with two types of price bundles. The first bundle is called *payroll domiciliation*. The bundle consists of a current account and the other services that are optionally tied to it are debit and credit cards, payment transactions, personal loans, mortgages and life insurance products. The bundle is firstly related to the current account and several payment services but it also gives strong incentives for the customer to increase the loan demand: Roughly 1 percent cheaper interest rate on mortgages and personal loans. Further, a debit card

[4] Number of employees on 30 September – UK bank.

is given for free to this kind of customer. This bundle is focused on increasing the mortgage loan demand, which is considered to have an additional strategic value through the opportunity to increase cross-selling and client loyalty.

The other bundle is called *Internet and telephone bundle*[5], as it applies to customers who agree on using only Internet or telephone for their transactions and contacts with the bank. These customers are offered cheques, payment services, time deposits, mortgages and brokerage on-line services at special prices lower than those for similar services through branch offices.

3.1.3. Banca di Roma

Banca di Roma's price bundles are constructed as loose frames and they mean merely guidelines for segmentation rather than structured price bundle offers. The price bundles, or segments, are as follows and in the brackets are the services that are, in the first place, believed to be of interest for these groups.

- *Elementary account* (current account, credit card, cheques, mutual funds, automatic telephone service)
- *Students* (current account, debit/credit card, cheques, pension insurance, life insurance, personal loans, telephone banking [automatic and personal], Internet banking]
- *60-year-olds and older* (current account, debit card, cheques, savings account, mutual funds, treasury services, pension insurance and life insurance)
- *Professionals* (current account, debit and credit cards, cheques, savings account, mutual funds, pension insurance, life insurance, personal loans, mortgages and all the delivery channels)

The price discounts given to customers in these bundles vary largely depending on the customer's negotiation power. The *elementary account* customers are divided into three groups depending on their relationship size: Savings amounts up to 3 million liras/3-20 million liras/over 20 million liras and loan amounts up to 50 million liras/over 50 million liras. These limits determine the level of price discounts, which varies from 10 to 60 percent off the current account fee, debit and credit card fees. For certain customers, the discount can sometimes be 100 percent off cheques and mutual funds' yearly fees. However, the final price paid always depends on the negotiation with the customer in every segment and, therefore, pricing is a tactical matter rather than an automatic application of price lists.

3.1.4. Banco Ambrosiano Veneto

The price bundles applied at Banco Ambrosiano Veneto are three:

- *Passworld*
- *Conto Ascolto*
- *Tuttinrette 3xWEB*

Passworld is a young person's, 18-26 years old, price bundle. When a young person opens a current account, he or she is not charged any account fee. The debit card is also free of charge as well as telephone banking service and the Internet bank. An additional advantage card concerning car rental, cinema, certain restaurants etc is also included in this bundle. The aim of this bundle is to attract new customers and to make earnings afterwards by retaining the group.

Conto Ascolto is a bundle that combines the current account plus certain services (such as debit card and automatic payments, telephone banking, Internet banking) with a mobile

[5] The name is the author's own interpretation.

phone. This bundle gives price discounts on mortgages, too. *Conto Ascolto* is the first price bundle in Italian history to combine a banking product with a non-banking product. A normal current account including basic payment services and debit card costs 19,000 liras monthly for the customer but with the mobile phone included in the bundle, the price is 29,000 liras per month for two years. The idea is that the customer after the two years will renew the mobile phone and continue to pay 29,000 liras per month for the package. Therefore, this bundle is designed both for new customers and old customers alike.

The third bundle, Banco Ambrosiano Veneto applies is *Tuttinrette 3xWEB*, where the current account is combined with a computer. There are three possible bundles within the brand name:

§ *A Passworld Web* customer pays 7,900 liras per month for the account + a monthly instalment on the chosen computer[6].
§ *A 3 for Web* normal customer pays 9,900 liras monthly for the account and some transaction fees + a monthly instalment on the chosen computer.
§ *A 3 for Web all included*[7] the account fee is 24,500 liras monthly including the transaction fees + a monthly instalment on the chosen computer.

The idea behind this price bundle is that customers are expected to renew the computer after the 30 months' leasing period and will be tied to the bank more closely than by a current account bundle. Customers are also able to buy the computer for the residual amount at the end of the 30-month-period. A computer service contract is included in the package in order to solve the customers' technical problems. The customers that already have the Conto Ascolto bundle are encouraged to buy also the Tuttinrette bundle although they, in that case, will have two current accounts.

3.1.5. San Paolo IMI SPA

San Paolo IMI SPA offers a current account package, *Multibenefit*, with three different service levels (*Plus, Classic and Standard*) to its sophisticated customers. Basically, the bundle includes a current account, debit and credit cards, cheques and payment services. The bundle is also associated with mutual funds and treasury services in order to facilitate demand on these and in fact the bundle becomes of no interest if the customer is not using the investment products and services.

When buying this bundle, a customer is given a product presentation where she or he can choose the desired features for the M*ultibenefit* bundle: Amount transactions included in the monthly price, type of debit/credit card, different types of investments and information alternatives, inclusion of safety box and telephone bank. The monthly account fee for Multibenefit Plus is 20,000 liras. The bundle fee is 10,000 liras for Multibenefit Classic and 5,000 liras for Multibenefit Standard. The Multibenefit Plus bundle includes all the services free of charge except the safety box for which the discount is 50 percent. The difference between the Classic and Standard bundles is in the amount of transactions allowed per year: 100 for Classic and 50 for Standard. For these bundles it is not possible to obtain the safety box. On the other hand, the information about investments and account statements is identical for the bundles. The main purpose is to stimulate the sale of investment products and credit cards through attractive account information and financial advice.

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[6] There are several stationary and laptop computer alternatives with different features that determine the monthly instalment. The minimum instalment is 50.000 liras for a basic desktop model and the price rises to 150.000 liras per month for a top model laptop.
[7] This account is available only for small companies.

3.1.6. Deutsche Bank 24

There are two current account price bundles in Deutsche Bank 24: *Service-Konto 24* and *Online-Konto 24*. As the names imply, the main difference between the bundles is the way the customer is directed to contact the bank and make transactions. *Service-Konto 24* includes a current account, a debit card, cheques, payment services, medical information and general information about travelling abroad and it allows the client to contact the bank through all the channels: branch offices, telephone, Internet and so called "Kunden terminals". *Service-Konto 24* costs 11 DM per month.

Online-Konto 24 in turn is targeted at customers that only use telephone and Internet for transactions. If transactions are done in a branch office, they are charged individually. *Online-Konto 24* is built around a current account and includes debit card and cheques. Overdraft can be combined with the current account to a preferred interest rate. The *Online-Konto 24* fee is 6 DM per month.

3.1.7. HypoVereinsbank

The price bundle that HypoVereinsbank applies is a current account bundle, called *3D-Konto*. All the bookings, debit card, cheques, telephone banking and Internet banking are included in a monthly fee 8.40 DM, which is debited quarterly. There are, however, two ways to reduce the bundle fee. The first way is to have a quarterly balance of 2,500 DM on the account and if a customer fulfils this requirement the fee is not charged. The other way to reduce the price is through a bonus system that encourages customers to use the telephone or the Internet bank for transactions. For each automatic or online transaction a customer receives 50 pfennig. A customer can collect this bonus for 18 transactions maximum per quarter, which yields 9 DM. Therefore, the effective price per month will be 5.40 DM for the bundle. These two price systems can also be combined so that the customer who has a quarterly balance of at least 2,500 DM earns 9 DM by making transactions online and thereby gets some interest on the money that is deposited on the current account which otherwise earns no interest.

3.1.8. Commerzbank

Commerzbank's price bundle is called *Giro-Konto* and like other German banks' price bundles a transaction account bundle. The *Giro-Konto* includes all transactions, one type of debit or credit card, cheques, overdraft facilities as well as automatic telephone/personal telephone bank service and Internet banking. The customer pays 12.50 DM per month for this price bundle. Instead of the ordinary debit card (ec-Karte), it is possible to choose two other debit or credit cards: Visa and Euro card or Visa Gold and Euro card Gold. Then the bundle price increases to 15.50 DM and 22.50 DM per month, respectively.

3.1.9. Dresdner Bank

Dresdner bank has three different current account bundles with different service levels. The basic price bundle, *Komplett-Konto*, includes current account, different transactions, debit card (credit card) and cheques including all the delivery channels, i.e. automatic and personal telephone service as well as Internet banking. The basic model is priced at 12 DM per month. The second model is called *Komfort-Konto*, which includes, apart from the services in the Komplett-konto, Euro card or Visa Card Classic and several emergency services connected with travelling. This bundle costs 20 DM per month. The third price bundle, *Exclusive-Konto*, offers the customer Euro Card Gold or Visa Card Gold as well as slightly extended emergency services when travelling compared with the benefits in the Komfort-Konto bundle. The price for the Komfort-Konto is 30 DM per month.

3.1.10. Royal Bank of Scotland

Royal bank of Scotland offers four main price bundles to its customers. The basic bundle is the *Royalties account* that includes a current account, chequebook, and a choice of debit cards, 24-hour-telephone banking and direct banking by PC and Royalties newsletter. In addition the account gives the customer several other benefits: Holiday and travel discounts of various kinds, overdraft and borrowing at preferential rates, investment and savings bonuses, cash discounts (telephone calls, £500 off the cost of a new car, 20 percent discount on CDs, videos etc) and extra protection and insurance cover. The customer is charged £5 per month for this account.

The second price bundle is an upgraded version of the Royalties account, the so-called *Royalties Gold Account*. It costs £9 per month and the additional benefits in addition for the Royalties account benefits, involve family travel insurance, a slightly better interest rate on personal loans, Gold Visa or Master Card, preferential terms on agreed overdrafts, additional savings bonuses on the savings account and time deposits, more alternatives to cash discounts and enhanced insurance cover.

The next two price bundles are targeted at students and graduates. *Student Royalties Account* is a current account with instant access via chequebook and ATM or debit card. Students are offered an interest-free overdraft limit which varies depends on how many years the student has been studying. Other benefits free of charge are credit card, student mortgages, cash discounts, holiday and travel discounts, career development loans, personal possessions insurance and extra protection and insurance cover. This account is free of charge.

The *Graduate Royalties Account* bundle includes the basic banking services such as cheques and debit card, telephone banking and Internet. An interest-free overdraft is offered until the end of June after graduation year as well as beneficial graduate mortgages, holiday and travel discounts, and extra protection and insurance cover. This account is also free of charge for about a year after the graduation.

3.1.11. HSBC

The price bundles that HSBC applies are clearly targeted at affluent customers and students/graduates. The affluent customer price bundle, *HSBC Premier*, is a banking service designed to meet all the personal needs the customer has. This account is available only for customers who have more than £30,000 in savings and investments with HSBC. Then, the customer is assigned a relationship manager, offered private client services with independent financial advice, bank account with preferential interest rates, a £250 HSBC premier debit card and no transaction charges for using it, an option of a guaranteed £5,000 overdraft facility and a quarterly magazine, beneficial interest rates on savings, no annual credit card fee, travel services as well as help getting tickets for theatres, shows and sporting events, arrangements for gifts to be bought and delivered etc. There are no account or transaction fees for this type of bundle.

The other price bundle is directed to students and subsequently to graduates. The *Student Services bundle* includes a current account with a welcome pack, debit card, cheques, monthly statements and payment transactions. The welcome back, designed for the new customers, gives the student £50 or a young persons railcard for four years. In addition to these benefits, a student can make use of an interest-free overdraft (£750 during the 1st year, £1,000 during the 2nd year, £1,250 during the 3rd year, and £1,500 during the 4th year). Also, a credit card is offered for student services bundle customers without the annual fee. Moreover, students are offered several insurance products for preferential rates and terms.

The *Student Services* bundle is automatically transferred to a *Graduate Service* package. This account gives the customer the advantage of so called "free banking[8]", no overdraft fees, free financial review, favoured personal loan rates, up to 100 percent mortgage and a credit card. The interest-free overdraft that was included in the student services bundle continues to be valid but it will be reduced gradually over a period of three years.

3.1.12. Halifax

Halifax applies a structure of four interlinked price bundles. All the elements in the bundle structure are price bundles themselves but they are lead by one specific service. Certain types of customer relationships can reduce the price of the leader service.

The current account bundle follows the same principles as other current account bundles. In addition to the current account, a customer is given a debit card, cheques, payment transactions, overdraft facilities without charge for setting up or the first £100, as well as telephone banking and Internet banking. There is no account fee for this but certain transactions may cost.

Credit card means, for a credit card purchaser, a £10 fee per year which the purchaser can avoid by having had the current account bundle for at least six months with Halifax and if he or she has a salary of at least £1,500, or comparable amount, deposited into the current account each month. The fee is also possible to avoid if the customer has a mortgage with Halifax. A third condition for avoiding the fee applies to customers having had a savings account for a six-month period at the application date with an account balance of at least £1,500. Students too can avoid the fee.

Personal loans are offered from £500 to £15,000 depending on a customer's age. The loans are given at fixed interest rates and there are no set-up costs associated with these loans. A customer can reduce the interest paid on a personal loan if having other relations with the bank. There is a 1.5 percent (APR) reduction on the loan rate if a customer has a Halifax mortgage. Another 1.5 percent can be saved if the customer has had a savings account for more than six months. Still another 1.5 percent is reduced if the customer has had the current account or credit card for the last six months. 4.5 percent in total can be saved when the customer has concentrated his or her affairs to Halifax.

Mortgage rates are also possible to affect by different relationships with the bank and the idea is that the more relationships a customer has with the bank the lower the rate of interest he or she has to pay. The relationships that are eligible for price reductions are the following: banking relationship with a current account, insurance relationship (building, content or re-

[8] Free chequebook, debit card, monthly statements, direct debits and standing orders.

payment insurance) or investment/saving relationship (savings over £1,000 or a lump-sum financial services product).

For students, there are more price reductions for some of the above products according to specific rules. Halifax offers customers additional benefits such as a mortgage payment holiday[9], discounts on selling your home, savings on travel costs or travel insurance, car insurance or extra withdrawals on savings account. The possibility to use these benefits depends on the relationship a customer has with the bank.

3.1.13. Leonia

In Leonia, five price bundles can be identified. The s*ervice package* is a current account bundle that includes account statement, debit card, standing orders, automatic and personal telephone banking and Internet banking. A standard customer pays 40 FIM per month for the package but the bundle price can be reduced depending on the relationship sizes which will be defined below for the customer groups *Premium customer* and *Regular customer*.

The *on-line bundle* is intended for customers using only self-service distribution channels i.e. automatic and personal telephone service and the Internet banking facilities. A debit card is included in this bundle. The package costs 20 FIM per month and again the benefit customers and the regular customers can reduce the price if this bundle is used.

A third bundle is the *savings bundle*. A customer who does not have many transactions per month would benefit from opening a savings account instead of the current account. This bundle restricts the amount of transactions to five per month while additional transactions are charged for individually. A debit card is possible to combine with this account and it can be used through all the automatic delivery channels.

Premium customer is defined as a customer that brings his or her salary to Leonia and has different types of Leonia's services worth 75,000 FIM. This customer is then paid a 2 percent tax-free interest on the current account and in addition the customer receives 75 percent price reduction on the monthly fees both of the service bundle and the on-line bundle. There are also benefits associated with payment transactions in the branch office or through the personal telephone service. The bank also promises special offers, Euro card free of charge for the first year, an information magazine, and a faster service to these customers.

Regular customer is a person that directs the salary to a Leonia current account (at least 4,000 FIM monthly) or has savings or loans worth more than 15,000 FIM. The current account interest rate is 1 percent (tax free) and the regular customer gets a 75 percent price reduction on the monthly fee for the service bundle and the on-line bundle. A *Regular customer* is also offered other price reductions along the lines for the *Premium customer* but the price benefits are fewer.

3.1.14. Osuuspankki

The price bundle applied by Osuuspankki is intended for the bank's so called owner customers. Osuuspankki is a co-operative bank. The bundle consists, therefore, of a flat admission fee for the owner share plus fees for the services in the bundle that can be reduced through the

[9] Postponement of mortgage payments for six months.

relationship size. The bonuses are calculated on loan, savings and mutual funds[10] amounts. Also, certain insurance payments give bonuses. The price bundle is called the *Platina* bonus structure in Osuuspankki. Bonuses are then converted into FIM and they can be used to pay various transaction fees. At the most, customer can get price reductions of 600 FIM per year. These can only be used to pay transaction fees or other service fees. If the customer cannot use all the possibilities of price reductions, it gives him or her incentives to increase the demand for banking services. The bonuses can also be saved to the two following years but after that they lose value if not used.

3.1.15. MeritaNordbanken, Finland

There are three price bundles used by MeritaNordbanken in Finland: *Solo-package*, *Preferred Customer* and *Key Customer*. The Solo-package is a current account bundle to be used through telephone banking (both automatic and personal) and Internet banking. All the transactions are covered by the bundle at a monthly fee of 10 FIM. A debit card is not included in the bundle as such, but since it is free of charge for the time being customers obtain it anyway.

A customer becomes a *Preferred Customer* if his or her savings or loans exceed 20,000 FIM and he or she has bought the Solo-package. Further it is required that the customer should have no non-performing loans. The customer then receives several price reductions on other services: 50 percent price reduction on the Solo-package, 15-33 percent discounts on debit and credit cards, foreign exchange, mutual funds, different loan writing or set-up fees.

The *Key-customer*'s relationship volume is defined as savings exceeding 90,000 FIM or loans exceeding 175.000 FIM and also this type of customer must have the Solo-package. However, the Solo-package for this type of customer is free of charge. The *Key Customer's* special benefit is a personal banker, something that the preferred customers for example are not offered. Price discounts are also larger for the *Key Customers* for the same services than for *Preferred customers*. The *Key Customer* bundle prices can furthermore be extended to be valid for the customers' family members.

3.1.16. FöreningsSparbanken

There are two price bundles applied by FöreningsSparbanken. The first bundle functions in the following manner. If a customer has a current account with regular salary payments, debit card and payment services/Internet payment services, he or she gets a 15 percent price discount on the yearly fees for the two last mentioned services. Additionally, this choice of services increases the interest rate for the current account to 1.75 percent up to the first 15,000 SEK. An amount exceeding 15,000 SEK reduces the interest rate to 0.25 percent for the exceeding sum, which is the normal rate of interest for a current account. If the customer makes regular long term deposits (a minimum of 100 SEK per month) or has savings exceeding 50,000 SEK or loans (any amount) he or she is called a *Key Customer*. *Key Customers* are assigned a contact person, and are given an invitation to a yearly financial overview and several information brochures.

FöreningsSparbanken offers a *student bundle* to its young customers. It is designed in the same way as earlier around the most central banking services: current account, debit card and

[10] Mutual funds entitle only 25% of the amount to be included in the bonus system.

payment services (either giro service or Internet payments). Students get a 50 percent rebate of the standard prices.

3.1.17. Handelsbanken

To start with, it can be said that Handelsbanken applies price bundling to a very little extend. Handelsbanken offers its customers only a bundle of two debit/credit cards. A similar simple price bundle is formed by a mortgage with an insurance “survivor” protection (in case of death of the debtor). When the two debit/credit cards are sold together, the customer gets the second card for 30 percent less than the normal price. The cards are not just any cards; this is a specific offer to promote a specific type of debit/credit card. Concerning the mortgage bundle, the insurance is given for free if the customer concentrates all his or her loans to Handelsbanken.

3.1.18. MeritaNordbanken, Sweden

MeritaNordbanken in Sweden offers the same price bundle model as MeritaNordbanken in Finland. The bundle model has, in fact, been invented in Sweden and then, through the merger between Merita and Nordbanken, it has been adopted to Finland, too. There are only small differences in the bundles concerning the composition and the prices depending on the market conditions in each country. For example, *Preferred customers* and *Key customers* are offered interest rate benefits for certain saving and loan types that are not offered in Finland. The Solo-package is the in both countries.

MeritaNordbanken in Sweden also applies Student bundling. If a customer is between 18 and 28 years old and studying at the university or similar institution, he or she is offered following services for 240 SEK per year (or 20 SEK per month): A current account with a higher interest rate than normal, debit card, personal telephone bank and Internet banking services (Solo), and brokerage services through the Internet. If the student saves on a special account in the Internet bank, a higher interest rate is offered.

4. Definition and classification of the models

The price bundles applied by the banks presented in the previous chapter are now divided into three main categories based on the most obvious theoretical purpose of the bundle: 1) Cost efficiency bundling 2) Cross-selling bundling and 3) Loyalty bundling. It will later in the report be seen that the price bundle models are motivated by several other factors than these three listed here. Moreover, the different models often share the same aims although here they are classified as being very different from each other. They are classified this phase only in order to clarify the presentation. The three different models can be divided into several subgroups and the definitions for the price bundle models are presented below in Table 2.

Table 2. Definitions of price bundle models in retail banking

Cost efficiency bundling: *Day-to-day service bundle*: a current account that includes all basic services (payment services, debit card, cheques, often through several channels) to a certain flat account fee or to reduced individual prices. *On-line bundle*: A customer is offered special prices if he or she uses only telephone banking or Internet banking for the day-to-day transactions. The aim or these bundles is first and foremost to improve efficiency (to reduce servicing and transaction costs) but at the same time the improved customer service may indirectly improve effectiveness (increase revenues) from other banking services.
Cross-selling bundling: *A bundle of two or more core banking services*: A price bundle based on one leader service (for example a current account) in order to increase customer relationships by additional "core" banking services (loans or savings). *A bundle of a banking service and a non-banking service*: A price bundle combining a banking product (for example a current account) and a non-banking product (for example a mobile phone) in order to increase sales of the banking product. The aim of both these types of price bundles is to increase sales of certain services.
Loyalty bundling: *Customer concept:* A price bundle that defines a given type and size of a customer relationship that in turn affects the total price paid for the specified services included in the bundle. *Loyalty bonus by volume*: A price bundle where the customer is given price reductions based on the total customer relationship volume. *Loyalty bonus by product*: A price bundle where the customer is given price reductions based on the consumption of certain products/services (and their respective volumes). The aim for this group of price bundling approaches is to retain the right types of customers through price rewards for the "right" behaviour.

The price bundles presented in this report will be analysed from the geographical viewpoint. In Table 3, the banks' use of price bundle models and the banks' geographic origin are depicted. It is obvious that some banks use several models and in case the models are clear-cut, they have been identified separately. For example, Banco Pastor offers both an on-line bundle and a specific product driven bundling in order to facilitate loan sales. Therefore, this bank appears in two boxes like the Nordic banks which both concentrate on cost reduction and loyalty improvement. On the other hand the Halifax price bundle approach is considered to be a more unified offer although, as could be seen earlier, four separate bundles are included in the model. Therefore, Halifax is only present in one box. A similar analysis has been done concerning the other banks' price bundles.

According to Table 3, all kinds of major models appear in all parts of Europe although the main focus is different. Banks in Italy and Spain offer the greatest variety of use of the types of models. Current account based transaction bundling is not used as a main strategy but merely as a combination with other models in order to increase cost efficiency. The main priority in Southern Europe seems to be to actively improve existing customers' product penetration as well as to increase sales by attracting new customers. Relationship bundling is also used. Then the price discounts are, to some degree, pre-specified and based on the total relationship profitability, which in turn mostly depends on the volumes. However, customers' use of negotiation power finally determines where the price discounts lands. Price discounts are, therefore, not always automatic and the same for all customers.

In Central Europe, Germany and the UK, the price bundling models are mostly day-to-day service bundles based on a current account and accompanied by different payment services and delivery channels. In the UK there is, however, a tendency to include all kinds of services in the transaction bundle. For example, the Royal Bank of Scotland's price bundle model is a current account based bundle but it includes several other banking and non-banking services and, therefore, it has been placed in the second box. The same goes for HSBC. Only one of the banks' price bundling decision can be characterised as relationship bundling in this Central European group and it is a network of different product relationships in Halifax.

In Northern Europe, Finland and Sweden, the price bundles revolve around *both* efficient use of every day banking services *and* maintaining relationships. One bank, Handelsbanken, uses price bundling to a very little extent in order to facilitate credit card sales and concentration of loans. Their main strategy is traditional free banking with modifications based on branch offices. That is why Handelsbanken is presented in brackets[11]. The relationship models used by the Nordic banks are customer concepts. Osuuspankki differs from this practice and applies a loyalty program where customers' relationship volume entitles then to points that in turn are converted into price reductions.

Table 3. Price bundle models applied by certain European retail banks

Price bundle model	**Southern Europe**	**Central Europe**	**Northern Europe**
Cost efficiency bundling:			
Day-to-day service bundle	Banco Ambrosiano Veneto	Deutsche Bank 24 HypoVereinsbank Dresdner Bank Commerzbank	Leonia MeritaNordbanken MeritaNordbanken FöreningsSparbanken
On-line bundle	Banco Pastor	Deutsche Bank 24	Leonia
Cross-selling bundling:			
Loans/savings	Banco Pastor San Paolo IMI SPA		(Handelsbanken)
Non-banking incentive	Banco Ambrosiano Veneto	Royal Bank of Scotland HSBC	
Loyalty bundling:			
Customer concept			Leonia MeritaNordbanken MeritaNordbanken FöreningsSparbanken
Volume	La Caixa Banca di Roma		Osuuspankki
Product		Halifax	

The conclusion from this exposure is that price bundling is likely to be a widely used pricing practice in Europe as it is applied by all the banks included in the study, again with the exception of Handelsbanken. Price bundling appears also in a great diversity of models. Banks

[11] Handelsbanken's answers are often excluded from the result tables since price bundling was a minor factor in their overall strategy and certain questions were impossible to evaluate by the respondents.

themselves talk mostly of “doing packaging” instead of price bundling and they try to use more fancy brand names in marketing towards the customers. The use of the price bundling concept was especially sensitive in the UK and the Nordic countries. In the UK, banks had been criticized during the Spring 2000 in a banking review for having exploited customers among other things through price bundling strategies (Cruickshank, 2000). Price bundling was put forward as an antitrust strategy by the banks in order to force customers to buy non-competitive products. In the Nordic, countries banks were in turn careful to point out the customer utility and benefits of their strategies, and price bundling approaches were called customer concepts.

5. The motives behind price bundling strategies

The first price bundle models were introduced in the 1980’s in the studied banks. HSBC introduced its student bundle in order to acquire new customers whereas San Paolo Bank set up a current account bundle targeted at its affluent customer segment. In the UK, Royal Bank of Scotland introduced its Royalties account revolving around the current account but the motive seemed to be to introduce an account fee and break the tradition of free banking that had been a norm in the UK. Nordbanken (actually Gotabanken, which was later acquired by Nordbanken) in turn introduced a USA influenced “Preferred customer” package in 1984 involving the customer’s total relationship. These first price bundle models are still affecting the price bundling practice in these banks although some changes in conditions for the current packages have naturally been made since the first introduction.

In the beginning of 1990’s banks in Europe were mostly concerned with increasing the effectiveness of the use of current accounts and daily transactions. This technology-driven development can be most clearly identified in Finland, Sweden and Germany. Italian banks starting price bundling during the beginning of the 1990’s were more concerned with customer segmentation and relationship management issues.

After 1995 banks have become increasingly customer oriented and in a price bundling context this can be identified as a shift from bare current account and transaction/payment services bundling to retaining customer relationships and basing price reductions on the total volume and/or desired use of services. This development is most noticeable in Spanish and Nordic banks that can be said to be “responsible” for the recent development although Halifax in the UK has also developed an incentive structure based on the customer’s existing relationships. Banco Ambrosiano Veneto in turn has been innovative through its cross-selling of current accounts through an inclusion of a non-banking service (mobile phone and computer) in the price bundle. The points of time when the studied banks have started price bundling are shown in Figure 1.

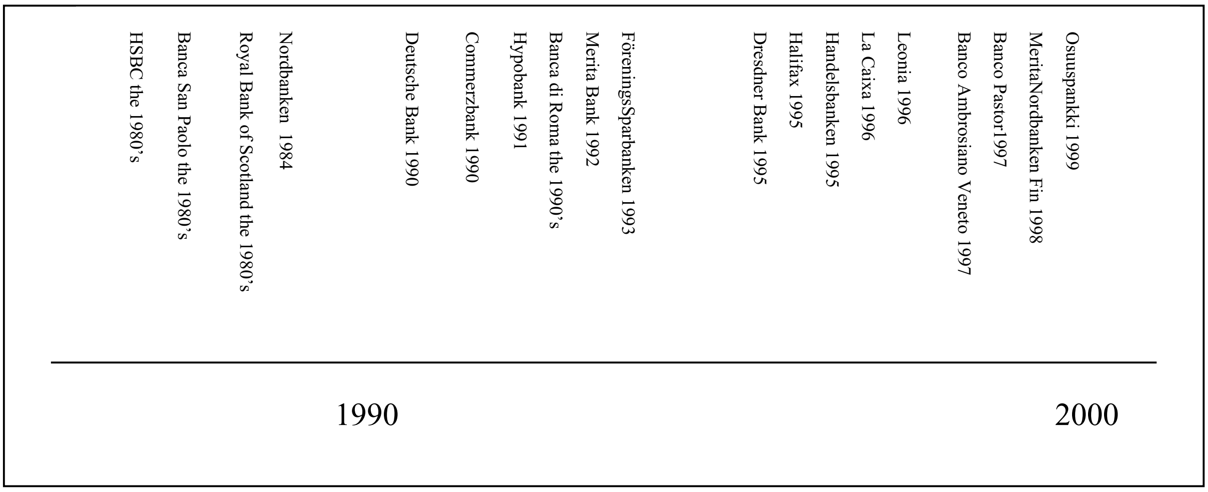

Figure 1. The point of time for introducing price bundle models.

In Table 4, the reasons for applying price bundling given by the banks are presented. In Southern Europe, the most important factors in price bundling have been image building, cross-selling, customer retention and customer acquisition. The banks have also aimed at distinguishing themselves from competitors, which means that they have strived for innovation in their approaches compared to their competitors. The values of most of the variables, i.e. higher than three, indicate that nearly all the factors are assessed to be at least moderately significant for the banks and only niche banks' price competition was not a significant factor in the price bundling decisions at the beginning.

For the Central European banks, the most important motives in order to introduce price bundling models have been to diminish the costs of selling and servicing customers and to cross-sell new services. Banks have also endeavoured to distinguish themselves from competitors who seem to offer similar bundles in order to attract new customers and to increase customer satisfaction. The assessment of the importance of the other factors also indicates that the customer retention motive is given a moderately high value although it is not evaluated as one of the top five motives.

In Northern Europe, the key motives for introducing price bundling have been customer acceptance of fees, cross-selling, customer retention, improvement of customer satisfaction and introduction of new delivery channels. Competitive factors have not been experienced to be the reasons for price bundling and the same goes for image building. Banks have focused on their existing customers but the customer acquisition motive has also had an undermined relevance in this respect. Nordic banks have been technologically advanced and therefore one of the main motives behind the early price bundles has been to get customers to use more efficient delivery channels, i.e. telephone banking, Internet, ATMs for payments etc. This, at the same time, reduces costs for banks but the immediate cost reduction motive seems to have been of secondary importance.

Table 4. Motives to start applying price bundling
1=insignificant; 2=slightly significant; 3=moderately significant; 4=very significant; 5=crucial. Numbers in bold type show the five most important factors. Numbers in brackets show the standard deviation.

Motive at the beginning	Southern Europe	Central Europe	Northern Europe
Competitors' similar offerings	3,25 (1,71)	3,20 81,30)	1,40 (0,89)
Distinguish your bank from competitors	**3,50** (1,00)	**3,80** (1,64)	2,40 (1,34)
Defend against niche banks' price competition	2,75 (0,96)	2,00 (0,71)	1,60 (0,55)
Diminish costs of selling and servicing customers	3,25 (1,26)	**4,20** (1,10)	3,00 (1,00)
Increase customer acceptance of fees	3,00 (1,63)	2,40 (1,14)	**3,20** (1,48)
Cross-selling	**4,50** (0,58)	**4,20** (0,84)	**4,20** (1,30)
Increase customer relationship length	**4,50** (0,58)	3,40 (1,52)	**4,40** (0,89)
Acquire new customers	**4,50** (1,00)	**3,40** (0,89)	2,60 (0,55)
Increase customer satisfaction	3,50 (1,00)	**4,00** (0,71)	**4,00** (1,22)
Introduce new delivery channels	3,50 (1,29)	2,40 (1,52)	**3,40** (0,55)
Build new image	**4,75** (0,50)	2,60 (1,14)	1,60 (0,89)
Diminish cross-subsidisation	3,00 (0,82)	2,40 (0,89)	2,40 (1,67)

In Table 5, the motives for current price bundling are presented. From a comparison between the earlier and current motives for the Southern European banks, it appears that cross-selling and customer retention motives have further increased in importance, whereas customer acquisition, although still being one of the five most important factors, has lost some of its significance. The banks own image building is not one of the main aspects in price bundling anymore but focus has been shifted to increase customer satisfaction. Banks in the Southern Europe have also experienced intensified competition from niche banks currently and the distinguishing features in their own price bundling continue to be more than of moderate importance.

In Central Europe, there has been a slight move to stress the customer retention motive rather than to focus on the customer acquisition in the current price bundling. The Central European banks are also anxious about the customer satisfaction goal and the previous motives for price bundling, cost reduction and differentiation from competitors, dominate. Overall, the importance scores are somewhat lower concerning the current price bundling than they were concerning the motives at the beginning, which might indicate some lack of development or interest in the price bundling strategies.

The changes in motives between the start and today to use price bundling in Northern Europe concern increased competition. One of the top five reasons for price bundling is to distinguish from competitors and the banks do not confess to following a competitor in their strategies. Niche banks are now clearly recognised to affect price bundling in contrast to the situation when the price bundles were first introduced. However, niche banks' price competition is still not felt very strongly. There has also been a shift from customer acceptance of fees, introduction of delivery channels, and any cost considerations to focus on cross-selling, customer retention, customer acquisition and, customer satisfaction.

Table 5. Motives to date to use price bundling
1=insignificant; 2=slightly significant; 3=moderately significant; 4=very significant; 5=crucial. Numbers in bold type show the five most important factors. Numbers in brackets show the standard deviation.

Motives to date	Southern Europe	Central Europe	Northern Europe
Competitors' similar offerings	3,00 (1,67)	2,71 (1,38)	1,50 (0,84)
Distinguish your bank from competitors	3,67 (0,52)	**3,14** (1,57)	**3,50** (1,38)
Defend against niche banks' price competition	**3,83** (0,98)	2,57 (1,13)	2,83 (0,98)
Diminish costs of selling and servicing customers	2,67 (1,37)	**3,71** (1,11)	2,83 (1,17)
Increase customer acceptance of fees	3,00 (1,10)	2,86 (1,57)	2,83 (1,17)
Cross-selling	**5,00** (0,00)	**3,71** (1,25)	**4,33** (1,21)
Increase customer relationship length	**4,83** (0,41)	**3,43** (0,98)	**4,50** (0,84)
Acquire new customers	**3,83** (0,98)	3,00 (1,15)	**3,83** (0,98)
Increase customer satisfaction	**4,33** (1,21)	**3,86** (0,38)	**4,50** (0,55)
Introduce new delivery channels	3,00 (0,63)	2,71 (1,50)	2,83 (1,83)
Build new image	3,33 (1,03)	2,00 (0,82)	3,00 (1,67)
Diminish cross-subsidisation	3,20 (0,84)	1,86 (1,86)	2,17 (0,98)

It is also possible that the different motives for price bundling are more dependent on the time period for their introduction than the geographic and cultural origin as was assumed earlier. When this is taken into account, the motives, apart from the given cross-selling, customer retention and customer acquisition intentions that have been important during all time periods and in all banks, the differentiation from competitors and one's own image building were the driving forces behind price bundle during the 1980's. During the 1990's, the aim of price bundling has been to diminish costs for selling and servicing customers as well as to increase customer acceptance of fees and overall customer satisfaction. In later years, the competitive environment has increased the motivation to price bundle: Differentiation is one of the key reasons together with the increased price competition from niche banks.

6. Price bundling difficulties and challenges

A price bundling approach, although generally preferred to individual selling of services, is likely to have some difficulties in its application. In Table 6, the banks' assessment of the difficulties of price bundling is shown. In Southern Europe, the biggest challenge for the banks is the internal management of the approach. Customers' dissatisfaction with the bundling approach (according to the banks' own evaluation) as well as customers' knowledge of the alternatives comes as the second and the third most significant problems respectively. This is to say that the customers are conceived of as demanding and well informed about the alternatives and the banks must be very sensitive to the customer response when constructing price bundles. In general, the difficulties were given low numbers which in turn leads to a first interpretation that banks in Southern Europe are not experiencing serious difficulties with price bundling at all.

In Central Europe customers' knowledge of the competitors' alternatives is the biggest problem with price bundling according to the banks. A problem related to the customers' increased knowledge is that the offer is regarded as difficult to adjust in changing market conditions. If customers see a better deal at a competitor bank, the own bank will have some difficulties in meeting the offer and making changes. Thirdly, the banks in Central Europe were concerned with assessing the benefits of the strategy compared either to itself or to alternative individual selling approaches.

In Northern Europe, banks were troubled about the internal management with the price bundling approach as well as the customer knowledge of alternatives and thereby increased competition. The measurement of the success of the strategy was considered as the third most significant problem with price bundling.

Price bundles in Southern Europe and in Northern Europe are on average more complicated than the price bundles applied in Central Europe. That is why it is not surprising that the 'difficulty in assessment of the benefits of the strategy' has recieved a high value. Also, when banks were asked about their profitability measurement, it became clear that, in many cases, it was not done satisfactorily or measured at all in a way that could be directly linked to the bundling strategy.

The overall average level of the importance scores in turn indicates that difficulties are considered less important in Southern Europe and more disturbing in Northern Europe while Central Europe lies in between. On average, the bundle models are more complicated in Northern Europe, which might be one explanation why problems are regarded as more severe. On the other hand, the measurement methods in Northern Europe seemed to be more advanced than in Southern European banks and, therefore, these should not be a difficulty. One possible explanation could be cultural differences[12] in interpretation of the strengths although there seem not to be any obvious over- or under estimations of the importance, for example, of competitive advantages.

In general, cost reductions as a motive for price bundling, or, in this case, not occurred cost savings on price bundling, were not assessed as a problem. Also cannibalisation was regarded as one of the least problems with price bundle strategies by all the banks.

Table 6. Difficulties with price bundling strategies

1=insignificant; 2=slightly significant; 3=moderately significant; 4=very significant; 5=crucial. Numbers in bold type show the three most important factors. Numbers in brackets show the standard deviation.

Difficulties	**Southern Europe**	**Central Europe**	**Northern Europe**
Customer dissatisfaction with the offer	**2,33** (1,21)	2,71 (1,38)	3,00 (1,41)
Customer knowledge of the alternatives	**2,17** (1,03)	**3,43** (1,27)	**3,83** (0,75)
Inflexible to adjust	1,67 (0,82)	**2,86** (1,35)	3,00 (1,90)
Only minor cost savings	2,00 (0,89)	2,57 (1,13)	1,67 (0,52)
Complex to manage internally	**2,83** (1,37)	2,57 (0,98)	**4,17** (1,33)
Difficult to assess benefits	1,83 (0,41)	**2,71** (0,76)	**3,17** (1,33)
Cannibalisation	2,17 (1,17)	1,86 (0,69)	2,50 (1,22)

7. Strengths and competitive advantages as basis for price bundling strategies

In Table 7, the results of the banks' own assessment of their competitive advantages with price bundling approaches are presented. In Southern Europe, the banks are very satisfied with the segmentation principles that the price bundle model represent. Banks also feel that they have better operational cost advantages than their competitors. The southern European banks regard their quality as one of the factors distinguishing them from their competitors. Price bundling strategies are also meant to facilitate exploitation of technological advantages

[12] The sun shines more in South…

the banks possess and they are contented with the additional product range they offer apart from the products included in the bundle.

In Central Europe, the banks' greatest competitive advantage was considered to be a good reputation. Financial and operational cost advantages as compared with competitors were the second most important factors together with technological advantages. The customer base appeared as the fifth most important competitive advantage. (It was ticked by the banks more often than "innovation" even though they show the same importance score.)

Banks in the Nordic countries rely on their segmentation principles, customer base, availability of service, innovation and relationship management systems. In Northern Europe the banks' assessments of their competitive advantages show more consensus than the other groups', which is demonstrated by the low standard deviations for the answers in brackets.

Table 7. Banks' competitive advantages in price bundling strategies

1=insignificant; 2=slightly significant; 3=moderately significant; 4=very significant; 5=crucial. Numbers in bold type show the five most important factors. Numbers in brackets show the standard deviation.

Competitive advantage	**Southern Europe**	**Central Europe**	**Northern Europe**
Cost advantages financial	2,33 (0,82)	**3,33** (1,37)	2,67 (1,51)
Cost advantages operational	**4,00** (0,89)	**3,29** (1,11)	3,50 (0,55)
Technological advantages	**3,83** (1,17)	**3,14** (1,86)	3,00 (1,26)
Availability of service	3,33 (0,52)	2,71 (1,25)	**4,00** (0,63)
High quality	**4,00** (1,55)	2,86 (0,90)	3,00 (1,10)
Good reputation	3,33 (1,21)	**3,86** (0,69)	3,17 (1,17)
Innovation	3,33 (1,51)	3,00 (1,29)	**3,83** (0,75)
Additional product range	**3,67** (1,63)	2,86 (1,46)	2,17 (1,17)
Unique benefits in the bundles	3,50 (1,52)	2,57 (1,62)	2,83 (1,83)
Segmentation principles	**4,17** (0,75)	2,29 (1,38)	**4,67** (0,52)
Customer base	2,33 (1,63)	**3,00** (1,53)	**4,00** (0,89)
Relationship management systems	3,50 (1,05)	2,83 (1,17)	**3,83** (0,41)

A division of 100 percent in order to show the success factors of the price bundling strategies based on the banks' competitive advantage is shown in Table 8. It is not surprising that in most cases the monetary value of success is assumed to descend from the same most important competitive advantages shown in Table 7. In Southern Europe, operational cost savings, additional product range and technology advantages are the most important success factors. Segmentation principles and high quality are evaluated as the fourth and fifth most important success factors, respectively. Together, these factors correspond to 70 percent of the success.

In Central Europe, the bank's reputation is the single most important success factor behind the price bundling strategies. Thereafter follows cost advantages, both financial and operational. Unique benefits in the bundles and the customer base are the factors next in importance. These five factors are evaluated to be equivalent to about 70 percent of the success as in Southern Europe.

In Northern Europe the highest weights are given to segmentation principles and the customer base. Operational cost advantages and high quality are assumed to be the second, third and fourth most valuable factors. Unique benefits in the bundles are the fifth most relevant success factor in price bundling. In Northern Europe about 60 percent of the success is explained by these factors indicating a higher dispersion of the banks' evaluation of the origin of the success.

Table 8. Success of the bundling strategy

The columns total 100%. Numbers in bold type show the five most important factors.

Competitive advantage	**South of Europe**	**Central Europe**	**North of Europe**
Cost advantages, financial	1,67	**17,33**	7,43
Cost advantages, operational	**23,33**	**10,83**	**11,00**
Technological advantages	**13,00**	7,33	2,43
Availability of service	1,67	4,42	3,14
High quality	**9,17**	4,08	**10,29**
Good reputation	2,83	**23,33**	4,57
Innovation	6,67	4,17	7,14
Additional product range	**15,00**	7,17	7,43
Unique benefits in the bundles	6,17	**8,83**	**8,86**
Segmentation principles	**10,00**	1,67	**18,57**
Customer base	3,33	**9,00**	**13,14**
Relationship management systems	7,17	1,83	0,29
Total	*100 %*	*100 %*	*100 %*

It is interesting to note that all the banks in the same markets seemed to have the same competitive advantages. Banks appear to use exactly the same factors in order to sustain in the market. The standard deviations show how dispersed the evaluations of competitive advantage were, indicating that this conclusion about similarity among the banks is only true on average. The different banks naturally pursue a combination of the factors of their own. From the standard deviations it is also obvious that the banks' evaluations are more similar to one another in Northern Europe, which indicates that the retail banks are relatively more unified there than banks seem to be in other parts of Europe. However, the next question about the weighting of the competitive advantages conversion to success reveals another picture if the same interpretation of diversity is applied to that case: the banks in Southern Europe and Central Europe are more in one to say what explains the success of the price bundling strategies whereas there are more success factors in Northern Europe. If the banks were to compete in each other's markets, they would have distinguishable competitive advantages. Naturally, another matter is whether all the advantages are universally competitive in all the markets. That is, of course, questionable.

8. Effects of the competitive environment on price discount decisions

A price bundling strategy involves several considerations and one of the most central decisions is to determine what price should be charged for the bundle or what type and how big price reductions should be offered in order to succeed with the strategy. Table 9 shows the factors banks were asked to weight according to the significance for their pricing (price discount) decisions in bundling.

Banks in Southern Europe and Central Europe regard the same market and economic factors as the most significant in determining the price discount: market concentration, availability of substitutes, market size, threat of consumers to switch banks and levels of consumer knowledge and information. In Northern Europe, the evaluation is slightly different. In the Nordic countries, the market concentration or market size are not assessed to affect price discount decisions most clearly but, on the other hand, bank regulation and supervision as well as consumer interest groups (including the media) are some of the most important factors. In addition, availability of substitutes, threat of consumers to switch banks and the increased consumer awareness affect the price discounts most according to the Nordic banks.

An interesting fact is also how the most significant factors are assumed to affect price discounts. All the banks regardless of geographic location evaluated customer pressures in form of increased threat of switching or shopping around homogeneously to increase price discounts. In Central Europe, the banks also shared the opinion that the factor 'market concentration' leads to increased price discounts. However, in Southern Europe and Northern Europe, evaluations differed concerning the same market concentration variable. Assessments went from decreasing price discounts via no impact worth mentioning to increasing price discounts. Availability of substitutes was also experienced differently by the banks in the same markets making the conclusions about movements in price level uncertain. Banks are naturally following each other and due to the increased competition, it is likely that the price level will not differ much among them. Moreover, no single factor will alone determine whether the price discount should be higher or lower but it will depend on the common evaluation of the factors taken together.

Table 9. Market and economic factors' impact on price discount determination
1=insignificant; 2=slightly significant; 3=moderately significant; 4=very significant; 5=crucial. Numbers in bold text show the five most important factors. Numbers in brackets show the standard deviation.

Market and economic factors	Southern Europe	Central Europe	Northern Europe
Market concentration	**3,83** (0,75)	**4,43** (0,79)	1,55 (0,55)
Entry barriers	2,50 (1,38)	1,86 (1,86)	2,33 (1,75)
Availability of substitutes	**3,33** (1,37)	**2,86** (1,07)	**4,00** (0,89)
Market size	**3,33** (1,21)	**2,86** (1,21)	2,17 (1,47)
Threat of consumers to switch banks	**3,67** (0,82)	**3,71** (1,11)	**4,17** (0,75)
Levels of consumer knowledge and information	**3,83** (0,41)	**3,57** (0,98)	**3,67** (0,52)
Regulation of financial services	2,17 (1,47)	2,00 (1,00)	**3,00** (1,90)
Taxation/tax treatment	1,83 (1,17)	1,43 (0,79)	1,50 (0,55)
Position in the business cycle	3,17 (1,47)	2,14 (1,07)	1,67 (0,52)
Pressures from consumer interest groups[13]	2,50 (1,05)	1,43 (0,53)	**2,83** (1,33)

The fact that, in Northern Europe, the threat of consumers to switch banks is given a higher importance score than in both Southern or Central Europe is one possible explanation why banks there apply loyalty bundling models. The variable "availability of substitutes" is also given a high value by the Nordic banks and that might be the reason why these banks underline innovation as their competitive advantage. In Central Europe, the greatest importance in the pricing decision was a high market concentration and there the banks rely on good reputation and cost efficiency in order to survive. Their price bundle models in general also represent these values. In Southern Europe, customer pressure is equally important as the market concentration variable in order to determine the price discounts and there the banks emphasize high quality and segmentation principles to meet the increased competition. The price bundling models in Southern Europe in turn were of different types in order to facilitate savings, loans and current accounts through mobile phones and computers.

9. Measurement of the profitability and the success of the price bundling strategies

[13] Pressures from consumer interest groups, especially in the Nordic countries, were associated to media.

There seemed to be as many ways to measure the profitability of the price bundling strategies, as there were banks. In some banks, the profitability of the price bundling strategy could not be measured at all but it was indirectly followed up on the overall bank level watching only final figures about the development of fee revenues, interest rate margin, number of customers etc. In some banks profitability was measured on a gross basis excluding the costs for different transactions and operations due to less advanced internal cost accounting systems. Some other banks in turn measured profitability on a net basis. In these cases, some banks used an estimation of so called incremental costs directly caused by the customer's use of services whereas some other banks used a full cost figure in their profitability calculations. In more advanced profitability analyses, banks had accounted for different opportunity costs if the customer was going to switch banks or how much the customer was to increase spending based on the price bundle strategy compared to a situation with no price bundling. This last types of scenario analyses involved a several years' perspective on the profitability measurement while the usual profitability follow up of the price bundling strategy was done monthly or on a yearly basis. Mostly, the banks' ambitions were to assess the profitability on a customer relationship level, alternatively on a segment level, but still about 35 percent of the banks measured only product profitability, branch or bank profitability. Table 10 shows a summary of some details of the profitability measurements of price bundling strategies applied by the number of banks in the different parts of Europe.

Table 10. Profitability measurement of price bundling strategies by number of banks.

Profitability calculations	**South of Europe**	**Central Europe**	**North of Europe**
Pricing objective:			
Product	2	3	1
Customer relationship	3	4	
Segment			4
Time period for profit calculations:			
Monthly	4	4	1
Quarterly	1		1
Semi-annually		1	
Annually		1	2
Longer than a year		1	1

In Table 11, there is a list of several measures that could be used in support of the assessment of a price bundling strategy. Especially important measures in the price bundling context are the second, third, and fourth measurements since these are directly related to the revenue streams caused by the customer behaviour that are aimed at to affect by the price bundling strategy. The banks in general seem not to be very concerned with or alert to measure any cost effects caused by their price bundling strategies. The banks were also relatively reluctant to specify how they measured these factors or what evidence they could produce in favour of their price bundling strategy. However, some cases on the opposite existed, too, and one bank gave some information about the success of their strategy showing an increased customer retention rate by 10 percent and the increased product penetration from 3 to 5 per average customer relationship. Another bank gave examples of an increased market share in a particular product segment by 3 percent after introduction of the price bundle. They had also been able to increase customer retention by 30 percent over the earlier figures.

Table 11. Number of banks following up price bundling strategies by different measures

Measurement	Southern Europe	Central Europe	Northern Europe
Market share	3	6	6
Wallet share of customers' total banking affairs	3	5	4
Customer retention rate	4	5	4
Cross-selling ratio	4	3	4
Customer relationship profitability	2	3	4
Customer satisfaction	3	5	6
Customer base	3	5	6
Advertising efficiency	2	3	4
Selling costs	-	2	-
Servicing costs	1	3	6
Cost for acquiring customers	1	2	2

10. Discussion about the price bundling models

Price bundling has been motivated by several goals that banks pursue simultaneously. The analysis in this section is done after investigating the most important strategic aims and relating these to the different price bundle models. The most significant aims for price bundling according to Tables 4 and 5 are 1) cross-selling of new services, 2) retaining existing customers, 3) acquiring new customers and 4) increasing customer satisfaction. The price bundle model types are fetched from Tables 2 and 3.

The type 1 bundle, *cost efficiency bundling*, concentrated on the current account and payment services might be indirectly efficient as a cross-selling vehicle. The strategy rests on the assumption that if a customer is acquired/retained through this bundle, it is probable that the other banking services are also bought from the same source. However, as a price bundle model with the specific aim of increasing cross-selling, this type of price bundle seems to be the least developed type of the three main price bundle models. Concerning the customer retention motive, this type of price bundling does not give many incentives to customers to stay on with the bank in the long run. It seems also to offer moderate incentives to acquire new customers since the other banks offer similar current account packages in the markets where this bundling type is applied and, consequently, customers may not find them interesting or attractive. However, this type of price bundling is one way of increasing customer satisfaction since customers are offered modern banking services and new delivery channels that the increasingly sophisticated customers prefer, when at the same time, banks own costs can be reduced.

The type 2 bundle, *cross-selling bundling*, as the name implies, seems to be the most concrete approach to increase cross-selling through price bundling. This is so because the price bundle obligates the customer to additional expenditure in order to obtain the benefit of the price reduction. The other favourable characteristic in any cross-selling aim for the producer is the effect of directing demand specifically to the desired target. Using the type 2 price bundles this demand direction happens automatically when the offer is kept specific and easy to grasp for the customer. The price reduction should logically be given for a variable that is important and noticed by the customer, since otherwise it has a little effect on demand. The Southern European banks' cross-selling bundles seemed to work satisfactorily in the cross-selling respect and also the indications of increased customer retention were found in certain cases. Customer retention is supposed to be achieved by the increased cross-selling since, then, the customer is tied to the bank by more services. However, whether the customer stays with the bank is not directly affected by the price bundle model but depends on other factors. The cross-selling bundling can also mean attractive offers in non-customers' eyes and thereby be suitable in order to increase customer acquisition. Customer satisfaction should also, in principle, be positively affected by good cross-selling deals.

The type 3 bundle, *loyalty bundling*, for cross-selling purpose, is only partially efficient from a theoretical point of view. In the Nordic countries, for example, this type of price bundling means that a customer is first required to fulfil a certain type of relationship and then the "so called right customers" are rewarded by better prices. The price incentive is, therefore, mostly retrospective and there are only a few incentives proposed by the bank to increase the customer relationships further. The day-to-day service bundles that are usually accompanied by these loyalty programmes increase customer spending to a certain extent. Naturally, the main aim of these price bundles is to retain customers and the backward looking, i.e. rewards for the past behaviour, price incentives are thought to have an increased impact on loyalty. Cross-selling of services, therefore, happens in these models indirectly by tying the customer to the bank and by demanding a certain relationship level. Other types of loyalty bundles applied in Southern Europe seemed in turn to forget what to cross-sell and the price incentives were mostly individually determined. This kind of approach might not lead to increased demand but merely to a more secure demand if the loyalty is affected by the price bundle incentives.[14] The *loyalty bundling models* are assumed to affect the loyalty but in the current models it happens only by the component "past experiences" and customer satisfaction. However, loyalty is also affected by future prospects and such incentives seemed to be relatively absent in the models and in this respect the cross-selling could be improved. It is also interesting to probe on the effects to attract new customers through these loyalty price bundles that are targeted at existing customers.

Another kind of loyalty model applied by Halifax was a product network where the offer was sharply built around four main products in order to cross-sell them to existing customers or to attract new customers. Since the discount structure forms a network between the products, it shows customers the benefits of concentrating their business to Halifax and thereby it should affect the customer loyalty. Customer satisfaction is not increased by any specific "good customer concept" but it is worked through clearly understandable and concrete price benefits. The Halifax product bundle network combines, therefore, all the four aims of price bundling in a relatively straightforward manner. Unfortunately, a more exact profitability assessment of this or the other strategies is impossible and ultimately that is what counts in the assessment of the success of the strategy.

11. Concluding remarks

To conclude, if the banks are to achieve all the aims by price bundling they wish –cross-selling, customer acquisition, customer retention, satisfied customers, and many other aims identified earlier- the models above have their pros and cons. Most likely the banks need to apply several models at the same time and target these to specific customer groups. This has also, in most of the banks, already been done. An improvement could be to focus even more on the differences between customer groups or to make the price bundling approach more flexible allowing the price to vary based on the customers' self-selection of different services.

[14] There are naturally several other ways of facilitating the demand and personal relationships seemed to be one way in active use within the loyalty bundling models. The emphasis on relationships was also Handelsbanken's strategy but without nearly any price bundling arrangements.

Based on the long-term customer relationships, the price bundling strategy should also be built on a long-term basis. One alternative in that direction could be to offer price incentives tied to time offering customers “a carrot” to stay with the bank also in the future.

Banks in general seem to have a need to improve their profitability measurement of the price bundling strategies. Only in a handful cases, did banks sound convinced that they had been able to measure it satisfactorily. The customers switching banks is a large threat to all the banks and, therefore, it is noteworthy that the cost of loosing a customer or cost of customer retention was not measured in a better way, if at all, to show the benefits of customer retention and/or the price bundling strategy. These kinds of measurement problems imply a possibly inefficient price bundling application.

All the banks affirmed that they would continue to apply price bundling in the future, or keep the eyes open for improvements, and in some cases there were plans to make radical changes in the current approaches in order to better satisfy the customers’ needs of individuality and flexibility. Some banks also mentioned about price incentives that would be limited to a certain period of time in order to increase cross-selling. It would be interesting to see the customer response to such short-term offers in long-term relationships. Many banking services are not bought by short-term considerations why price discounts, if the aim is to increase cross-selling or loyalty, are not necessary since the customer would buy the service anyway. Of course, customer response to this development is impossible to guess but such offers would perhaps not improve loyalty but merely encourage them to shop around for good deals. This could, of course, be overcome by targeting the offers to a specific group of (own) customers.

What kinds of price bundle models there will be in the future should first and foremost be based on customer needs rather than on what banks think customers would like to have. Already, the main aims of price bundling indicate this: cross-selling, customer retention, customer acquisition, and customer satisfaction. All of these aims have their origin in customer considerations. Many banks claimed to be planning their price bundling strategies from a customer point of view and used data mining etc advanced data techniques in order to make a better use of their customer databases. However, marketing planning seems still to start from the bank point of view and what would be good to sell to customers based on what they do not have yet.

There seems to be an interesting future development in price bundling strategies and room for innovations in building the price bundling models.

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HSBC
Halifax
Leonia
Osuuspankki
MeritaNordbanken, Finland
FöreningsSparbanken
Handelsbanken
MeritaNordbanken, Sweden

Appendix 1: Questionnaire

APPLICATION OF PRICE BUNDLING STRATEGIES
IN RETAIL BANKING IN EUROPE:
-A study of competitive factors and strategic choices
in targeting price bundles to retail banking customers.

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SECTION A: CONTACT DETAILS

Name of Bank ______________________________

Contact Name and Position ______________________________

Phone No. ______________________________

Fax Number ______________________________

E-Mail Address ______________________________

Address ______________________________

Town / City ______________________________

Zip Code / Post Code ______________________________

SECTION B: PRICE BUNDLES

This section is aimed at gathering some details about price bundling that you provide to your retail banking customers. A price bundle is defined as any product/service offering on two or more services that are marketed and sold together at a special price, that is, at a price different to the charges for these services sold as stand alone basis. Price bundles can also be called customer concepts, service packages etc.

Q1. What do you call this kind of price bundling arrangement? ________________
____

Q2. When did you first start applying price bundling? ________________________

Q3. Why did you start applying price bundling? Please indicate the significance of the following motives for introducing your price bundling and tick the five most important.

1=insignificant; 2=slightly significant; 3=moderately significant; 4=very significant; 5=crucial

	Place number 1-5 here	Tick the five most important
a) Competitors had introduced similar service offerings	_______	_______
b) To distinguish your bank from competitors	_______	_______
c) To defend against niche banks price competition	_______	_______
d) To diminish costs of selling and servicing customers	_______	_______
e) To increase customer acceptance of fees	_______	_______
f) To increase customer relationship: cross-selling	_______	_______
g) To increase customer relationship length	_______	_______
h) To acquire new customers	_______	_______
i) To increase customer satisfaction	_______	_______
j) To introduce new delivery channels to customers	_______	_______
k) To build a new image for a bank	_______	_______
l) To diminish cross-subsidisation	_______	_______
m) Other, specify ______________________________	_______	_______

Q4. Do you currently offer price bundles to your customers? Yes ☐ No☐

Q5. If you answered YES to question Q4, what are the greatest challenges in price bundling?

If you answered NO to question Q4, what are the reasons for not applying price bundling anymore?

Please indicate the significance of the following reasons and tick the three most important.

1=insignificant; 2=slightly significant; 3=moderately significant; 4=very significant; 5=crucial

	Place number 1-5 here	Tick the three most important
a) Customer dissatisfaction with the offer	_______	_______
b) Customer knowledge/information about alternatives	_______	_______
c) Inflexible to adjust to changing market conditions	_______	_______
d) Only minor cost savings, if at all	_______	_______
e) Complex to manage internally	_______	_______
f) Difficult to assess benefits of the strategy	_______	_______
g) Cannibalisation[15]	_______	_______
h) Other: Specify ________________________________	_______	_______
____	_______	_______

[15] Reduced profits from existing customers who before the bundling arrangement paid a normal price.

Note: If you answered NO to Q4, the next questions (Q6 and Q7) should be read as concerning your "pricing strategies/principles" to retail customer segments.

Q6. What are your motives in **current** price bundling? Please indicate the significance of the following motives on your price bundling decisions and tick the five most important.

1=insignificant; 2=slightly significant; 3=moderately significant; 4=very significant; 5=crucial

	Place number 1-5 here	Tick the five most important
a) Competitors had introduced similar service offerings	______	______
b) To distinguish your bank from competitors	______	______
c) Defend against niche banks price competition	______	______
d) To diminish costs of selling and servicing customers	______	______
e) To increase customer acceptance of fees	______	______
f) To increase customer relationship: cross-selling	______	______
g) To increase customer relationship length	______	______
h) To acquire new customers	______	______
i) To increase customer satisfaction	______	______
j) To introduce new delivery channels to customers	______	______
k) To build a new image	______	______
l) To diminish cross-subsidisation	______	______
m) Other, specify________________________________	______	______

Q7. For which time period have you planned your price bundles to be applied?_____

____

____

Q8. How many customers do you have?___________________________________

Note:
If your bank is not applying price bundling currently, the following question (Q9) concerns your bank's segmentation strategies. Name of the bundle should be replaced by "name of the segment" and the table can be used to identify the customers' choice of services in that segment. Accordingly in questions Q10-Q12 and Q14 price bundling should be translated to "pricing strategies/principles to retail customer segments". In Q13 price discount should be interpreted to "price".

Q9. What are the **qualifications** to the different price bundles and what are the **restrictions** to use any of the services in the bundles? By qualifications is meant any requirement the customer must fulfil in order to get access to the price bundle. By restriction is meant any limiting conditions to use the products or services included in the bundle.

Name of the Bundle 1: ____

Qualifications Bundle 1:
Savings ____
Loans: ____
Other ____
____
____

Restrictions Bundle 1: ____
____
____
____
____

Proportion of customer base buying the bundle _____________% per 2000-03-31

Services included in the Bundle 1 and the corresponding price discounts.

CHOICE OF SERVICES IN THE BUNDLE	**TICK IF INCLUDED IN THE BUNDLE**	**PRICE DISCOUNT INTEREST RATE %**	**PRICE DISCOUNT FEES %**	**SPECIFY THE TYPE OF FEES**
Current account /account statement				
Debit card Credit card				
Cheques				
Payment services (bills)				
Savings account				
Time deposit				
Mutual funds				
Treasury services				
Pension insurance				
Life insurance				
Personal loans				
Mortgages				
Automatic telephone bank service				
Personal telephone bank service				
Internet banking				
Other (specify)				

Name of the Bundle 2: ____

Qualifications Bundle 2: Savings: ____________________________________
Loans: ____________________________________
Other: ____________________________________
____
____
____

Restrictions Bundle 2: ____
____
____
____
____
____

Proportion of customer base buying the bundle _____________% per 2000-03-31

Services included in the Bundle 2 and the corresponding price discounts:

CHOICE OF SERVICES IN THE BUNDLE	**TICK IF INCLUCED IN THE BUNDLE**	**PRICE DISCOUNT INTEREST RATE %**	**PRICE DISCOUNT FEES %**	**SPECIFY THE TYPE OF FEES**
Current account				
Debit card Credit card				
Cheques				
Payment services (bills)				
Savings account				
Time deposit				
Mutual funds				
Treasury services				
Pension insurance				
Life insurance				
Personal loans				
Mortgages				
Automatic telephone bank service				
Personal telephone bank service				
Internet banking				
Other (specify)				

Q10. How do you **measure profitability** of your price bundling strategy(ies)?

What is your pricing objective (customer relationship, segment, product, branch office)?

What time period do your profit calculations involve?

What costs are included?

What calculation method(s) is(are) used?

How are any price discounts determined?

Could you please specify your pricing models for each of the your price bundles?

Bundle 1:

Bundle 2:

Bundle 3:

Bundle 4:

Bundle 5:

Q11. Please indicate the significance of the following factors on the **competitive advantages** you exploit through your **price bundles** and tick the five most important factors.

1=insignificant; 2=slightly significant; 3=moderately significant; 4=very significant; 5=crucial

	Place number <u>1-5 here</u>	Tick the five most important
a) Cost advantages financial	_______	_______
b) Cost advantages operational	_______	_______
c) Technology advantages[16]	_______	_______
d) Availability of service	_______	_______
e) High quality	_______	_______
f) Good reputation	_______	_______
g) Innovation	_______	_______
h) Additional product range	_______	_______
i) Unique benefits in the bundles[17]	_______	_______
j) Segmentation principles	_______	_______
k) Customer base	_______	_______
l) Relationship management systems[18]	_______	_______
m) Other, specify ____________________	_______	_______
____________________________________	_______	_______
____________________________________	_______	_______

Q12. Can you outline how the above factors are weighted by you in **evaluating the overall success** of your price bundling strategies?

Please divide 100% between the most significant factors.

a) Cost advantages financial	___________
b) Cost advantages operational	___________
c) Technology advantages	___________
d) Availability of service	___________
e) High quality	___________
f) Good reputation	___________
g) Innovation	___________
h) Additional product range	___________
i) Unique benefits in the bundles	___________
j) Segmentation principles	___________
k) Customer base	___________
l) Relationship management systems	___________
m) Other, specify ____________________	___________
____________________________________	___________
	Σ 100%

[16] Refer to delivery channels
[17] Other than price discount
[18] Refer to internal control and monitoring systems

Q13. Please indicate the significance of the following market and economic factors on the **price discount** of your price bundles and tick the five most important factors. At last, specify if increasing or decreasing the price discounts: + or –.

1=insignificant; 2=slightly significant; 3=moderately significant; 4=very significant; 5=crucial

	Place number <u>1-5 here</u>	Tick five most important	+ or –
a) Market concentration	______	______	_____
b) Entry barriers	______	______	______
c) Availability of substitutes	______	______	______
d) Market size	______	______	______
e) Threat of consumers' switching bank	______	______	______
f) Levels of consumer knowledge /information	______	______	______
g) Regulation of financial services	______	______	______
h) Taxation / tax treatment	______	______	______
i) Position in the business cycle	______	______	______
j) Pressures from consumer interest groups	______	______	______

Q14. Can you provide any internal data that would reflect the success of your price bundling strategy(ies)? Such data could for example be

- Increased market share
- Increased wallet share of customers' total banking affairs
- Increased customer retention rate
- Increased cross-selling ratio
- Increased customer relationship profitability
- Increased customer satisfaction
- Growth in the customer base
- Advertising efficiency
- Diminished costs for selling
- Diminished costs for servicing customers
- Diminished costs for acquiring customers
- etc

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