

# A Research of Development Strategy of Retail Business at Bank of China Gansu Branch

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**Abstract:** *This paper combs the development of the retail business of the Bank of China Gansu branch. At the same time, SWOT is used as the analysis tool, and then the effective and feasible strategies and related safeguards are made to enable the Bank of China Gansu Branch to win the market and win the interests in retail business in the future, ultimately leading to the overall development of the branch.*

**Keywords:** *Retail business; Development strategy; the Bank of China Gansu Branch*

## 1. Introduction

### 1.1. Research Background

Retail business is a competitive hot spot of commercial banks, is a good public service customers. Because the retail business is one of the main sources of profits for commercial banks, fluctuations in the economic cycle is relatively small, and the retail business loans are often lower than the non-performing assets business. At present, domestic commercial banks have developed medium and long-term strategies for the development of retail banking business according to external demand and their own situation. By adjusting the organizational structure and increasing capital investment, retail business has become the core element of competition.

Although the Bank of China Gansu Branch is located in the relatively backward region of China's northwest, but the northwest of Gansu Province is the throat of the city, shoulder an important hub. With the state of "all the way along the" proposed, Gansu market potential is not to be underestimated. Gansu Province not only gathered a large number of commercial banks, more and more small and medium commercial banks have also chosen to enter the market in Gansu, at the same time, Gansu Bank and Lanzhou Bank of the two local commercial banks rely on the strong support of the Government in recent years Also showed a good momentum of expansion <sup>[1]</sup>. The current competitive environment of Gansu's banking industry is unprecedentedly fierce, which makes the Bank of China Gansu Branch also facing extremely severe test.

### 1.2. Research Significance

This paper analyzes the current situation of the retail banking business of the Bank of China in Gansu Province, analyzes its internal and external resources and capabilities, and puts forward a series of effective and feasible strategic measures for its better development, So that the Bank of China Gansu Branch of the retail business in the future to win the market, to win the interests and meet the future opportunities and challenges, with a certain practical value.

## 2. Analysis of Retail Business Development of the Bank of China Gansu Branch

### 2.1. Overview of the Bank of China Gansu Branch

Bank of China Gansu Branch was established in 1924, and it is an important part of commercial banks in Gansu Province. Since its establishment, the Bank of China Gansu Branch, with its brand image and influence, has continuously improved its profitability and strengthened its capital strength. It has supported local economic development in various channels and in all directions, and has made outstanding contribution to Gansu's economic development and social progress. However, with the change of economic structure, the Bank of China Gansu Branch is also facing fierce competition in the

market. Especially in the retail business development, there are still some drawbacks in the Bank of China Gansu Branch which hinder the overall pace of progress.

## ***2.2. Problems in the Development of Retail Business of the Bank of China Gansu Branch***

### ***2.2.1. The Retail Organization Structure Is Imperfect***

The retail business channels are not effectively coordinated with each other and the overall control, resulting in online systems and offline systems are separated from each other, not only makes the scattered business data is not integrated analysis and use, but also makes the customer information has not been fully excavated, The loss of customer maintenance and upgrading opportunities, resulting in waste of resources; branch level there is no unified retail work management, making subordinate subordinate their own way, to develop their own set of management practices and operational requirements, and usually only focus on task completion, Neglected the management of customer satisfaction; sub-branches of the retail job settings are not effective linkage, the post is only responsible for their own single functional work, there is no full potential customer demand mining, cross-marketing cannot be implemented, resulting in the loss of some customers [2].

### ***2.2.2. Customer Segmentation is Low***

At present, the Bank of China branch in Gansu Province uses the customer segmentation criteria is only different types of customers, that is, holders of ordinary debit card for ordinary customers, holding the Bank of wealth management VIP guests, holding BOC Wealth VIP Card for the wealth of customers. This breakdown is relatively extensive and more single, but by the different types of cards to provide customers with differentiated services and products. However, this breakdown is not enough, because after all, the bank card can convey the information is very limited, a retailer is difficult to under a bank card to further understand the customer more information, and further study the customer's consumer behavior characteristics, consumption psychological can create value, so this customer segmentation has not become a better service to customers an effective way [3].

### ***2.2.3. Product Positioning is Unclear***

The Bank of China Gansu Branch in recent years, although efforts have been made to promote the development of the retail business, but in the implementation of the relevant guiding ideology in the process of landing there are still many deficiencies. Although the R & D department of the head office has developed a number of retail products and established a very extensive retail product system, the Gansu branch does not have a clear market positioning for these products from its own development characteristics, advantages, external environment and customer needs. Product characteristics analysis, which cannot know what kind of product suitable for what kind of customer, or what kind of customer needs what kind of product, and ultimately can only blindly attract customers, cannot achieve the desired market results. Not only a waste of resources within the line, did not capture the real profit point. Differentiated, personalized products and customer service needs to be further improved.

### ***2.2.4. Channel Inefficiency***

Although the Bank of China Gansu Branch has been vigorously promoting the channel construction work, not only the expansion of a large number of outlets, but also gradually formed a line of outlets and online banking and other direct and indirect channels coexist pattern [4]. But in a large part of the many outlets are just playing the role of savings, usually only for deposit and withdrawal business, wealth management business and other simple business, other retail business is often only to the business of a variety of higher-level institutions, so The establishment of business outlets did not give full play to its due role, nor to achieve the desired level of customer convenience. Not only that, although the branches of the channel design using high-tech, equipped with such as ATM machines, automatic query machine, online banking customer terminals and other hardware devices, but the overall number of devices less, and high failure rate, matching service is always with Not only does this not only make the public resources put into the branch not be effectively used, but also cause great waste of resources, and it also violates the intention of providing convenience to customers, greatly reducing the customer's satisfaction.

### 3. The Development Strategy of Retail Business of the Bank of China Gansu Branch

#### 3.1. Strategic Positioning

The strategic positioning is the core of enterprise development, and the branch of Gansu Branch of Gansu Province wants to promote the development of retail business. Only through the comprehensive analysis of the problems in the retail business development of Gansu Branch of the Bank of China and its internal and external environment, In order to develop the most suitable for its development strategy. We can draw the SWOT matrix of retail business development of Bank of China Gansu Branch, as shown in Table 1:

Table 1: SWOT Matrix of Retail Business Development of Bank of China Gansu Branch

	<b>Strength</b>	<b>Weakness</b>
Internal factors	1. Bank of China's brand advantage 2. Distribution of the advantages of the network within the region 3. Rich customer resources 4. Improve the product system	1. Retail business base is weak 2. Retail business market share is low 3. Marketing concept behind 4. The overall quality of retail employees varies
External factors		
<b>Opportunity</b> 1. Increase in household income 2. Investment philosophy changes 3. Advances in information technology	<b>S-O Strategy (Growth Strategy)</b> 1. Using the Bank of China's brand to further enhance the visibility, so that the public understand the unique characteristics of Gansu Branch 2. To consolidate the existing market and maintain good stock customers on the basis of further expand their business, open up new market space 3. Seize the opportunity to strengthen cooperation with the Government 4. Based on the local economy of Gansu Province, efforts to expand its own financial resources, the scope of direct compensation	<b>W-O strategy (Reversal strategy)</b> 1. Accurately grasp the macroeconomic trends, timely adjustment of retail business strategy, improve the retail business management processes and systems to improve the operating efficiency of the retail business 2. Based on the local economy, a clear market positioning, with the progress of information technology, increase multi-channel construction efforts to enhance the retail business market share 3. To strengthen marketing efforts, to take a wide range of marketing tools, product positioning to be a clear and active combination of innovation, the implementation of differential pricing mechanism 4. With the continuous improvement of customer needs, increase the professional ability of staff training, training staff advanced marketing concepts
<b>Threat</b> 1. Increasingly competitive 2. Financial supervision and control efforts to increase	<b>S-T Strategy (Offensive Strategy)</b> 1. The use of network distribution advantages, to further strengthen the brand building, enhance competitiveness 2. Further combing customer resources, value-locked customers 3. Relying on a sound product system, customers flexible configuration products, reduce the risk probability	<b>W-T Portfolio (Defensive Strategy)</b> 1. Through scientific and rational organization and management, reduce the incidence of risk cases 2. Clear product positioning, the implementation of differential pricing, to avoid low-cost vicious competition 3. To strengthen cooperation with competitors, to achieve a win-win objective

Through this matrix can be seen, although the development of the Bank of China Gansu Branch has its own advantages and disadvantages, the external opportunities and threats coexist, but in general its own disadvantage is greater than the advantages, the external environment opportunities outweigh the threat, which prompted the Bank of China Gansu Branch Branches need to choose the W-O strategy, namely, the reverse strategy, through which the Bank of China Gansu Branch can make use of external opportunities to make up for internal weaknesses, at the same time to effectively solve or improve the

current retail business development problems.

### **3.2. Strategic Objectives**

The Bank of China Gansu Branch, the next five years, the strategic objectives should be to develop deposit targets, loan targets and intermediate business income targets.

The deposit and loan business is the traditional business of the Bank of China Gansu Branch. The main source of income of the branch is still the deposit and loan spread in the near future. Therefore, setting the deposit and loan target is conducive to the stability of the bank income. At the same time, due to the low share of deposit and loan market share of Gansu Branch of the Bank of China, which restricts the profit growth of retail business, the bank's main business is still mainly deposit and loan business for the present and the next five years. In the development of strategic objectives, we should focus on deposit and loan targets. Intermediary business is a promising business in China. Now it has become the main source of income for commercial banks. However, the intermediary business of Gansu Branch of the Bank of China now accounts for a relatively low proportion of income. Therefore, it should also focus on the future development.

### **3.3. Strategy Implementation**

In the clear strategic positioning and strategic objectives on the basis of the Bank of China Gansu Branch from the following eight aspects to carry out the implementation of retail business development strategy <sup>[5]</sup>.

#### **3.3.1. Optimize the Organizational Structure**

The Bank of China Gansu Branch according to its own situation, first of all at the branch level of the establishment of the retail business sector, corresponding to the different business segments set up specialized business departments to specifically responsible for different retail business management, such as personal finance (level) Card Department, the Department of channel management. Personal Finance Department is mainly responsible for: debt business, asset business, intermediary business, customer development, wealth and private banking, integrated planning and risk internal control; bank card department is responsible for: card approval and risk management, consumer finance and marketing; Mainly responsible for: electronic banking, network finance and customer experience, channel construction and operation management (ATM machine maintenance). Secondly, the central and sub-branches set up the Personal Finance Department (Grade II). The branches directly under the provincial branches set up the retail department, which is mainly responsible for the docking work with the three retail branches of the branches, as well as the retail business management of the sub-branches. Finally, in the business branch set up the relevant retail jobs, such as business managers, financial managers, lobby managers, account managers, responsible for handling specific retail business.

#### **3.3.2. Strengthen Brand Building**

The Bank of China Gansu Branch must maintain its own brand on the basis of the customer in mind to establish a more excellent brand image, to the people left a good reputation, get the full recognition of customers, the only way to Maintaining existing customers while attracting more potential customers, which is the Bank of China Gansu Branch to promote the retail business is an important prerequisite <sup>[6]</sup>.

#### **3.3.3. Cultivating Staffs' Awareness of Marketing**

Good marketing concept determines the success or failure of marketing, so the establishment of employee awareness of marketing, training staff to become the marketing concept of the retail business marketing strategy can be a strong guarantee for landing implementation.

#### **3.3.4. Segment Customer Resources Deeply**

The Bank of China Gansu Branch should be subdivided by different dimensions of retail customer base, by analyzing the customer structure, clear customer needs, to determine the bank's target customers and core customers. The customer segmentation strategy can effectively allocate limited resources to allow retailers to develop a more scientific customer development program, and ultimately enhance the overall retail market competitiveness of the branch.

#### **3.3.5. The Product Portfolio And Innovation**

Bank of China's retail products are developed by the R & D department head office, in order to

meet the needs of the local market, the Gansu branch of existing products should be based on targeted innovation products to enable decentralized retail products to Effective combination of one product to another product, the final package in the form of products to provide customers with a more comprehensive package of financial services in order to improve customer loyalty, satisfaction, as well as the Bank of China Gansu Branch of retail product visibility And market competitiveness. Therefore, the Bank of China Gansu Branch needs to establish a new type of retail product library.

### ***3.3.6. The Implementation of Differential Pricing***

Product pricing is one of the elements of market competition, if the bank does not implement a scientific pricing mechanism, it will become very passive in the competition, and the existing high-quality customers will slowly drain. In the past, because the banks were subject to long-term interest rate control, the same price was applied to most customers, with uniform interest rates. There was no clear price difference between old and new customers, high-quality customers and inferior customers. Retain old customers, encourage new customers, support high-quality customers, eliminate the effect of poor customers. In the current full implementation of the national interest rate market-oriented background, the Bank of China Gansu Branch should also be based on customer transaction volume, contribution rate for different types of retail customers to develop different retail product pricing strategy to avoid blindly with the industry Low-cost vicious competition.

### ***3.3.7. Improve Multi-channel Construction***

The Bank of China Gansu Branch should also be through platform building, active marketing, etc., to improve customer online banking, mobile banking and other electronic channels. Customers through the use of electronic terminals, not only to enjoy convenient and efficient high-quality financial services, but also get a better user experience. Electronic channels cannot only improve the efficiency of financial services, but also to a certain extent, reduce the bank's business pressure, but also for the development of the retail business played a boost.

## **4. Conclusion**

Based on the theoretical research, this paper analyzes the present situation of retail business development of Bank of China Gansu Branch, finds out its advantages and disadvantages, and the opportunities and threats it faces, and finally formulates the relevant strategy for Bank of China Gansu Branch. Through the combination of theory and practice, this paper draws the following conclusions:

1) The Bank of China Gansu Branch in the development of the retail business with the Bank of China's brand image is good, the region wide distribution network, rich customer resources, improve product system and other advantages, facing the increase in income, change in customer investment philosophy, information technology progress But also has the disadvantages of weak retail business foundation, imperfect organizational structure, unclear product positioning, backward marketing concepts and the increasingly fierce competition from the retail banking of commercial banks. The financial supervision of the state has also been intensified. Large threat posed by. In this regard, the Bank of China Gansu Branch should assess the situation, so that avoid weaknesses, make good use of opportunities for development while avoiding the threat of obstacles, and actively promote the development of retail business.

2) The Bank of China Gansu Branch should first gradually improve the retail system, the establishment of a scientific, line of the retail business organizational structure, making the effective coordination between the various departments of the retail; further strengthen brand building, improve retail marketing awareness to take Diversification of marketing means to expand customers; customers will be subdivided according to different dimensions, according to different needs with differentiated products and services, deep excavation of customer value; the existing combination of innovative retail products and the implementation of differential pricing, to avoid Low prices of vicious competition; actively develop the retail channels for the retail business to open up a better market prospects.

3) The Bank of China Gansu Branch should create a professional retail team to establish a strict access and induction mechanism to optimize the retail staff and clear the job responsibilities, attention to the training of retail employees; establish and improve the assessment incentive mechanism, And to improve the allocation of hardware facilities, the Bank of China Gansu Branch of the retail business more competitive and achieve sustainable development.

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