

Development of Banking Products for Individuals

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Abstract

The article is devoted to the study of the impact of customer needs on the development of banking products for individuals. The factors influencing the choice of a servicing bank and its products in the behavior of individual customers are analyzed. The main theses for the development of banking services for the retail segment are identified, among which the focus on customer needs has gained the greatest importance. Based on the study, it was concluded that the application of a customer focus model and an individual approach is most effective in the struggle for a competitive advantage among banks.

Keywords: bank, individuals, banking product, target audience, client, service, benefit.

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Currently, the banking sector plays an increasingly important role in our lives. We can no longer imagine a time when there were not so many banks and a bank card was a real rarity. Over time, the number of banks first increased, then sharply decreased, which led to increased competition for target customers among credit institutions: both individuals and legal entities. The main competitive advantage is still banking services and products that best meet the requirements of the audience targeted by each particular bank. However, it should be noted that individuals most quickly respond to various changes in the products offered by their bank, as a result of which the development of banking products for individuals has become a particularly pressing issue for banks.

Now there are many different services and products for individuals, for example, payroll services, various types of transfers, credit and deposit products, insurance. But each of these products changes over time, adjusting to changing market conditions, customer needs and preferences. Special departments within the bank are engaged in evaluating the quality of the proposed product and developing them to win more and more target customers, as well as increase the bank's income from attracting an additional audience. The specialists of such a division are called "developers" or "product owners". Whether a client decides to open one account or several, redesigning banking products can help attract a new audience of clients and increase the number of individuals served by the bank much faster. People who bring a certain part of their income to the bank form its profit. However, you need to remember that it is not necessary to include benefits in every product. For example, credit products are currently in the greatest demand due to the reduction in incomes of the population. The benefit to the customer in a loan product can be identified, for example, by a range of concessionary products such as free card service or travel insurance, but often customers in need of additional funds often do not look for additional benefits in a loan product. The situation is somewhat different with investment products. Very often, interest in them is shown by those who are trying to preserve and increase the available free funds. Therefore, keeping the investment product line simple and functional, banks create opportunities for benefits: they create product packages, various promotional programs, loyalty programs and bonuses. The development of products in this vein also means that these benefits, packages, loyalty programs and discounts can be suspended at any time, which gives the financial market the flexibility to apply various kinds of leverage at a certain point in time to achieve its goals. This usually happens through a unilateral change in tariffs by the bank. To cooperate with such a bank or not, each client decides on his own in a particular case.

There are 3 examples of how to use the characteristics of this model more flexibly:

1. If you need a larger amount of attracted funds, you can offer short-term rates on deposits, which will be charged on the balance of funds in the account. Examples can also be various savings accounts with monthly interest on the average balance of the account.
2. Need more real estate collateral for loans? You can offer an interest rate discount, lower costs in case of paying a monthly mortgage payment electronically or through auto payment.
3. Need to attract more customers? To do this, you need to know your target segment and create short-term promotions of products and services that are aimed directly at the target audience, giving them the opportunity to open a settlement product (bank account) and accept the offer of benefits that accompany the main product.

Instead of offering products with a lot of options or many products from which it is very difficult to choose the best one, banks often offer one. The advantage here is that this product alone includes, for example, 3 privileges or "options", and a product with 3 "options" is preferable for the client, since he can change them at any time or switch between them. These options involve a package of services and payment options, additional services.

By simplifying the main part of a product or banking service, it is possible to personalize other aspects of them or create packages that meet the requirements of specific customer groups. There is no need to change the products and services that are the basis of sales, as they set the tone for all other products and are their fundamental basis, which you need to focus on.

There are several main theses for the development of banking products in the retail segment:

1. Simplify product features using a layered approach. Despite the fact that financial products are less meaningful to people than, for example, purchases, consumers now expect a simple experience, both in the process of buying a car, and in the process of purchasing a financial product, such as opening an account. In today's world, most banks and lending institutions continue to offer complex, complex products with a certain set of options and complex calculation of interest rates and commissions. They must be simplified.
2. Have the most attractive offer for the target segment. Financial institutions need to serve a large number of client segments, but they do not need to tailor their products to each of them. They are successful and profitable institutions that focus on a wide range of segments from youth and students to the elderly, as well as various industries from dentists to senior managers.

This kind of "total concentration" allows institutions to create differentiated approaches to meet the unique needs of target segments. The most successful institutions have value propositions, products, delivery channels, sales, and proven services to adapt quickly and win in the competition for targeted segments.

There are 4 keys to offering a valuable product for a bank. The product line should:

1. Be easy to understand for customers and employees.
2. Assume an increase in the level of benefit that customers receive, since they bring most of their income to the Bank.
3. Have clarity; be easily understood in terms of redemption and closure, Not only to be addressed to the target client, but also to be attractive to other segments.
4. Differentiate from competing product lines in the eyes of target customers.

The use of value propositions that are important to the target segment and that are capitalized in the absence of strong competition can ensure profit growth for the bank. Marketing research can reveal "white spots", that is, "competitive niches" where a particular institution can focus in order to have a competitive advantage in terms of conquering new segments

3. The price of products is set based on the competitive environment, and not on the desire of top management. Many teams in financial institutions sit in conference rooms and evaluate new products based on the costs incurred to launch them, with little regard to the price of a competitive environment or customer impact. Obviously, bank costs are more important for determining the level of profitability of a product line, but "pricing" should not be "vacuum".

The best "pricing" scheme includes competitive analysis and understanding of the needs of the target segment in which the financial institution operates, desires and price points. In addition, any person, wishing to open an account, searches, compares and singles out a certain bank with its product line and gives preference to it.

As a result, the finance department often wants every client to be profitable. But "pricing" works a little differently. Suppose we want to create a product that will benefit the majority of its users. However, creating the number of elements and other conditions to attract each customer and make it profitable makes prices confusing and difficult for employees and customers to understand.

At the very least, this is important: the complexity of pricing will make it much more difficult for a new banking product to succeed in the market.

4. Product upgrades should take place from the point of view of the needs of the client, and not from the point of view of the bank. Redesign teams tend to create banking products that appeal to them as a bank or other lending unit, rather than to customers. As a result, product lines are often completely useless and irrelevant for customers, as they do not correspond to their real needs or "retail" problems.

An example of such "out-of-the-box thinking" is a long list of conditions and options that the client wants to receive, and therefore, the product must meet the client's expectations in terms of quality. When offering a product, the bank needs to analyze in detail the client's expenses and needs in order to meet his needs.

Customers often do not have the time to track their debit card spending and most financial institutions do not provide such tools to enable them to do so. Many people end up not achieving their goals, such as making payments on time and getting fined. Nothing can make customers less loyal and more prone to conflict than unforeseen expenses related to the maintenance of banking products.

Thus, it can be concluded that the banking sector cannot afford to be self-centered. Today, customer orientation is important, because the use of competitive advantages allows you to attract more and more new target audiences, thereby increasing the income of credit institutions.

If a bank or credit unit does not have client experience or a team that develops this area, you can be sure that each product development team has an employee who protects the interests of the client directly. Their job is to evaluate the product or service through the lens of customer needs on every product development team. The best option would be to attract young, tech-savvy people, perhaps from another field, for example, the field of IT technologies, for this role, and give them the opportunity to prove themselves in solving this problem.

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