

## The Influencing Factors Model and Scale Designing of RMB Financing Products' Marketing Segmentation from the Perspective of Niche

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### Abstract

First, there is an analysis on the present marketing segmentation of RMB financing products. Then, this paper explores whether the theory of niche has any application on the marketing segmentation of RMB financing products from the perspective of niche. Based on this, the influencing factors model of RMB financing products' niche is given. After that, the niche selection criteria of RMB financing products' marketing segmentation is given according to three aspects - needs of customers and behavior characteristics, innovation ability of RMB financing products and competitiveness of banks. At last, the scale of niche selection criteria of RMB financing products' marketing segmentation is designed which is helpful to the special target market selection of RMB financing products and also provides reference for the exact orientation and dislocation competition of financing enterprises.

**Key words:** Niche; RMB financing products; Market segmentation; Scale designing

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### INTRODUCTION

RMB financing products guaranteed by investment income of high credit rating of RMB bonds (national debts, financial bonds, central bank bills and other bonds) are issued for individual customer by banks and pay the principal and benefits at maturity with low risk (ZHANG, 2011). As species of financial ecological system, RMB financing products haven't obvious advantages compared with other species. They also have less market share and narrow living space. If they want to survive in the competitive market and develop better, they must find out the suitable niche in the market system. To do this, the banks need to select the suitable market segmentation criteria and find out the attractive target market based on a large amount of investigations and studies. Only RMB financing products have the suitable niche, can they avoid excessive competition and then obtain the development of space and time.

Market segmentation is a strategy that involves dividing a larger market into subsets of consumers who have common needs and applications for the goods and services offered in the market (WANG, 2004). At present, serious problems exist in the RMB financing products market segmentation. Customer's income modes and risk preference are the main bases for the segmentation which leads to the marketing segmentation imitation and the homogenization of RMB financing products (ZHANG, 2005). There are fewer studies about RMB financing products' marketing segmentation in the existing papers. However, most scholars do the financing products' research from the insight of customer behavior. LI Jiang & WEI Min (2006) fully considered customers' inner life attitudes, preference and behaviors as marketing segmentation criteria to discuss the personal financing marketing segmentation. WEI Min & TIAN Lei (2006) ensured demographic variables and family life cycle variables as customer segmentation variables. The current marketing segmentation criteria of RMB financing products affect its good existence and development in the fierce competition.

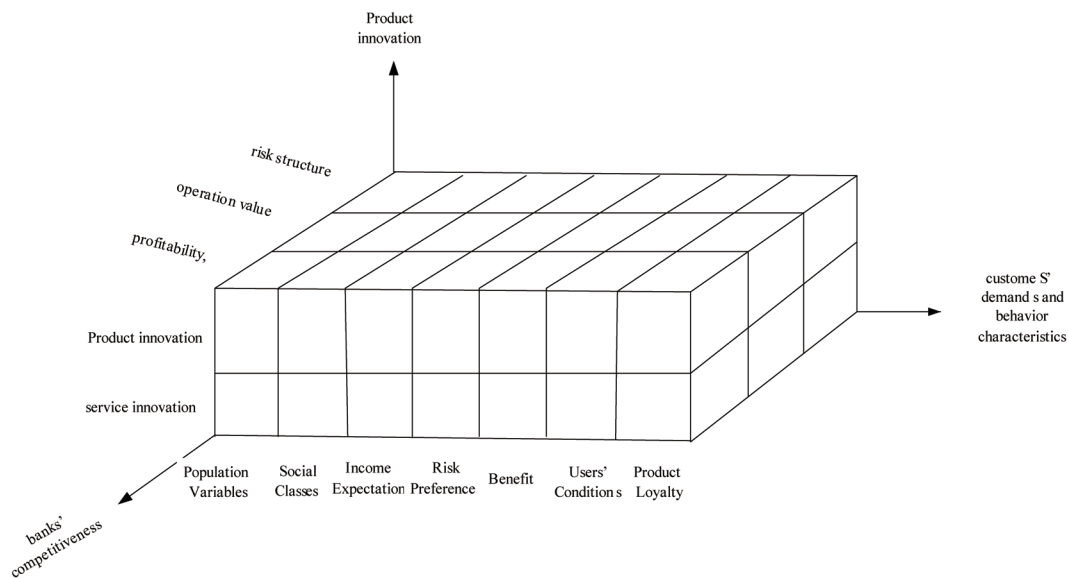
As other organisms in the nature, the existence and development of RMB financing products are affected by many factors such as time, space, resources, customer demand and banks' competitiveness. From the perspective of niche, the marketing segmentation of RMB financing products is a process of competing for the resources needed in the survival and development with other similar products in a certain environment and finding the suitable niche which can support coexistence with other products in a certain resource shaft.

The combination of niche theory and market segmentation is an innovation in interdisciplinary. Professor SHAO Peiren (2008) made a point that media niche segmentation is a process of organizing the dislocation competition measures of media production and sales aimed at different levels and types of target customer according to characteristics and function of media. So each media brand can have its particular preying object and target customers. SHI Chunlai (2010) thought enterprises should refine their own brand growing niche considering endogenous influence factors such as capital, human resource, technology and management ability according to the specific factors of the enterprise ecological environment and itself operating condition. WANG Yiben & LUO Baoyong (2012) analyzed the media fundamental niche and studied the media marketing segmentation from human resources, information resources, audience resources and advertising resources.

These studies not only combine the theory of niche with marketing segmentation, but also provide the reference on how to seek for the marketing segmentation criteria from the perspective of niche for us. The combination of the theory of niche and RMB financing products' marketing segmentation can better solve the serious homogenization of RMB financing products to realize accurate market segmentation and positioning of RMB financing products. What's more, the premise is the selection of marketing segmentation evaluation index reasonably.

## 1. THE INFLUENCING FACTORS MODEL OF RMB FINANCING PRODUCTS' NICHE

Just like the process of species' life, RMB financing products also experience the process of being born, growing, maturity, and finally dying. Choices of marketing segmentation criteria and requirements of the marketing segmentation are different in each life stage of RMB financing products. At present, RMB financing products are in growth, so they need in-depth market segmentation. Affected by customer demand, behavior characteristics and product innovation, RMB financing products don't have much market share and living space. In order to expand RMB financing products' living space, we must conduct another marketing segmentation based on customer demand behavior characteristics and product innovation.



**Figure 1**  
**The Influencing Factors Model of RMB Financing Products' Niche**

RMB financing products have their own ecological logic. At first, RMB financing products have their own product resources. Then, banks manage and sell these product resources to customers. Relying on this, RMB financing products can survive and develop. As a result, we should consider niche related resources such as resources conditions (customer resources,

capital and partners' strength, etc.), product innovation and banks' competitiveness. Customer resources are the most resources conditions, so customer demand and behavior characteristics are the important criteria of RMB financing products' segmentation which includes population variables, social classes, income expectation, risk preference and customer

behavior. Product innovation is an ability of providing appropriate RMB financial products to meet the market needs by banks which includes function innovation and service innovation. The strength of the banks' competitiveness determines the ability of scrambling for resources needed for survival and development of RMB financing products. The banks' competitiveness mainly manifests in profitability, operation value and the risk structure (ZHU, 2002). The influencing factors model of RMB financing products' niche provides the bases for the selection of marketing segmentation factors from the perspective of niche.

## 2. THE SELECTION OF RMB FINANCING PRODUCTS' MARKETING SEGMENTATION FACTORS FROM THE PERSPECTIVE OF NICHE

### 2.1 Customer Demand and Behavior Characteristics

Customer demand is mainly affected by the population variables, social classes, income expectation and risk preference. (1) Population Variables. Banks subdivide customers into several customer groups according to age, gender, income, vocation and education. For example, China Everbright Bank subdivided the teenagers market through a financing product called "2008 small finance expert" to expand its survival space. (2) Social Classes. Chinese scholar YANG Yi divided the customer classes into five basic classes—elite class, intellectual class, middle class, new rich class and the grassroots according to economic capital and social capital (YANG, 2010). Customers with different economic strength in different social environment have different needs of RMB financing products and services. Subdivision of RMB financing products according to social class is helpful to the advantage niche selection in financial system. (3) Income Expectation. Income expectation means that people can predict the revenue according to the known information if there are no incidents. China Everbright Bank puts income expectation as an important content when doing financial investor's risk bearing ability evaluation. Different income expectation means different risks which affects the selection of financing products. (4) Risk Preference. There are three kinds of customers with risk preference, risk avoiding, risk pursuing and risk neutral. Risk preference reflects the basic attitude when enterprises or individual investors choose risk species to realize the target. Designing the RMB financing products according to risk expectation can help RMB financing products avoid the similar niche overlap, so as to reduce the competition.

Most marketing experts believe that behavior is the best starting point of marketing segmentation. Behavior can be divided into benefits, users' condition and product loyalty. Banks can divide customers into different groups

according to their understanding, attitude, usage situation and reaction. (1) Benefits. Benefits segmentation is a classification method that customers pursue different benefits from products. Customers with different income expectation and risk preference in different classes have different benefits. (2) User status. We can divide customers into past users, not users, first users, occasional users and regular users. Especially, potential users are the important customers for RMB financing products who can help banks expand their niches and enhance their competitiveness. (3) Customer Loyalty. Customer loyalty is the most valuable resource for banks. There are four types of customer loyalty in modern marketing concept - full loyalty, potential loyalty, dull loyalty and lack of loyalty.

### 2.2 Product Innovation

There are three forms of the product innovation. Accordingly, product innovation can be divided into function innovation, form innovation and service innovation. RMB financing product innovation includes function innovation and service innovation. Product innovation determines the living style and potential development of RMB financing products (HU, 2006). The product innovation of RMB financing products mainly embodies in rate of income, period, risk and the combination with other products while service innovation mainly embodies in the quality and features. High quality service will help the products absorb more customer resources.

### 2.3 Banks' Competitiveness

Banks' competitiveness refers to the ability of creating a competitive advantage to achieve business indicator and strategic target of development compared with other competitors (ZHU, 2007). Banks' competitiveness is not only affected by the external factors (industrial structure, economic situation and financial supervision, etc.), but also affected by the internal factors (property rights and corporate governance, profitability, operation value, new technology, new business and risk structure, etc.) (XU & ZENG, 2008). For RMB financing products, banks' competitiveness mainly displays in profitability operation value and risk structure. Profitability is a bank's ability of obtaining corresponding profit with a certain amount of capital which mainly embodies in total profit, net interest margins, cost to income ratios and rate of return on equity. The concept of operation value is bigger than that of profitability. Emphasizing on bank's financial strength, operation value mainly embodies in efficiency, market share and market positioning decision (NIE & MAO, 2004). Risk structure is the nature of risk of any banks' activities which embodies in bad assets ratio, should-carry reserve ratio and ratio of provision and equity with net loan. Banks' competitiveness determines the survival and sustainable ability of RMB financing products.

### 3. SCALE DESIGNING OF RMB FINANCING PRODUCTS' MARKETING SEGMENTATION FROM THE PERSPECTIVE OF NICHE

The selection of RMB financing products' marketing segmentation criteria should follow three principles. (1) Identifiability. Geography, population and customer risk preference can be identified by the enterprises through investigation. Banks can quickly identify customer's life background through these characteristics to provide reference for RMB financing products' marketing segmentation. (2) Attainability. Features such as profession,

gender and age can easily be defined by banks. Banks can communicate with these customers through advertises and other media. After finding out customers' income, hobbies and education backgrounds, banks can carry out marketing activities more effectively. (3) The possibility of action. This is related to whether the RBM financing products provided by banks can meet the needs of marketing.

The above analysis suggests banks should select the marketing segmentation criteria for RMB financing products from customer demand and behavior characteristics, product innovation and banks' competitiveness. Based on this, we can design the scale of RMB financing products' marketing segmentation from the perspective of niche.

**Table 1**  
**Scale Designing of RMB Financing Products' Marketing Segmentation from the Perspective of Niche**

Object Layer	Level 1 Segmentation Criteria	Level 2 Segmentation Criteria	Level 3 Segmentation Criteria	
RMB Financing Products	Customer demand and Behavior Characteristics A	Population Variables A1	Age A11	
			Gender A12	
			Income A13	
			Vocation A14	
			Education A15	
	Product' Innovation B	Function Innovation B1	Customer Behavior A5	Benefits A51
				User status A52
				Product Loyalty A53
				Rate of Income B11
				Risk B12
Banks' Competitiveness C	Service Innovation B2	Profitability C1	Period B13	
			Combination B14	
			Service (Features & Quality) B21	
	Operation Value C2	Market Share C22	Market Positioning Decision C23	Total Profit C11
				Net Interest Margins C12
				Cost to Income Ratios C13
	Risk Structure C3	Risk Structure C3	Risk Structure C3	Rate of Return on Equity C14
				Efficiency C21
				Bad Assets Ratio C31
			Should-carry Reserve Ratio C32	
			Ratio of Provision and Equity with Net Loan C34	

### CONCLUSIONS

Besides, RMB financing products still are affected by geographic region, macroscopic and microscopic economic and financial policies. These are external factors which are very important to the selection of RMB financing products' marketing segmentation niche. For example, interest tax reduction reduces RMB financing products' annual rate of return which makes the profit space narrowed so as to be unfavorable to the selection of suitable RMB financing products' niche. As a result, comprehensive and suitable marketing segmentation criteria will increase RMB financing products' competitive advantages and help them occupy the right niche in the fierce competition in financial ecological environment.

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