Subject Area - Business

HSBC Marketing Strategies.

INTRODUCTION

One of the largest banking and financial services organisation in the world is known as the HSBC Group. It has established businesses in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. In 1991, HSBC holdings were incorporated in England, with its head office based in London. In 1999, the company established its international brand name, which ensured that the Group's corporate symbol became a familiar sight all across the world. HSBC differentiates its brand name from those of its competitors by describing the unique characteristics which distinguish HSBC, namely being, 'The world's local bank'. As at 31st December 2004, its total asset was valued at £660 billion. It has over 9,800 offices worldwide. It employs over 253, 000 people, across different countries and territories. Its shares are held by around 200,000 people in some 100 countries and territories. The company's shares are also traded on most of the world's renowned stock exchanges, namely, London, Paris, New York, and Bermuda stock exchanges respectively. One of the major tools it uses for functionality on a worldwide scale is the company's use of information technology. Its e-business channels include the internet, PC banking, interactive TV, and telephone banking. It maintains its own private network (intranet and extranet), in which HSBC's websites attracted 900 million visits in 2004.

The HSBC group provides a comprehensive range of financial services namely:

Personal Financial Services: It has over 100 million personal consumers' worldwide (including Consumer Finance customers). It provides a full range of personal finance services, including current and savings accounts, mortgages, insurance, loans, credit cards, pensions, and investment services. It is one of the world's top ten issuers of credit cards.

Consumer Finance: The Company's Finance Corporation's consumer finance business ensures point of sale credit to consumers, and lends money and provides related services to meet the financial needs of everyday people. In 2004, it completed the integration of its former household businesses.

Commercial Banking: HSBC is a leading provider of financial services to small, medium-sized and middle market enterprises. The group has over two million such customers, including sole proprietors, partnerships, clubs, and associations, incorporated businesses and publicly quoted companies. In the UK, 209 Commercial Centre were launched to provide improved relationship management for higher value small-medium-sized enterprise customers, while in Hong Kong, Business Banking Centres, were expanded to provide a one-stop service.

Corporate Investment Banking and Markets: Tailored financial services are provided to corporate and financial clients. Business lines include Global Markets, Corporate and Institutional Banking, Global Transaction Banking, and Global Investment Banking. Global Markets includes foreign exchange, fixed income, derivatives, equities, metals trade, and other trading businesses. Corporate and Institutional Banking covers relationship management and lending activities. Global Transaction Banking includes payment and cash management, trade services, supply chain, securities services, and wholesale banknotes businesses. Global Investment Banking involves investment banking advisory, and investment banking financing activities.

Private Banking: HSBC is one of the world's top private banking businesses, providing financial services to high net worth individual and families in 70 different locations.

HISTORY OF THE HONGKONG AND SHANGHAI BANKING CORPORATION

The HSBC group evolved from The Hong Kong and Shanghai Banking Corporation Limited, which was founded in 1865 in Hong Kong with offices in Shanghai, London, and an agency in San Francisco, USA. The company expanded primarily through already established offices in the banks name until the mid 1950's when it began to create or acquire subsidiaries. The following are some of the key transitions in the Groups growth and history since 1959.

In 1959, HSBC acquired the British Bank of the Middle East formerly known as the Imperial Bank of Persia. In 1965, it acquired a majority shareholding of the Hang Seng Bank Limited. In 1971, the British Bank of the Middle East acquired a minority stake of 20% in the Cyprus Popular Bank Limited, which currently trades as the Laiki Group. In 1972, Midland Bank acquired a shareholding in UBAF Bank Limited (now known as British Arab Commercial Bank Limited). In 1978, the Saudi British Bank is established under local control to take over the British Bank of the Middle East's branches in Saudi Arabia. In 1980, it acquired 51% of New York State's Marine Midland Bank (now known as HSBC Bank USA). At the same time Midland acquired a controlling interest leading German private bank, Trinkaus and Burkhardt (now known as HSBC Trinkaus & Burkhardt KGaA). In 1981, HSBC established a branch in Vancouver, Canada. In the same year the Group acquired a controlling interest in Equator Holdings Limited, which was a merchant bank engaged in trade finance in sub-Saharan Africa. In 1982, Egyptian British Bank S.A.E. is formed, with the HSBC group holding a 40% stake. In 1983, Marine Midland Bank acquired Carroll McEntee and McGinley (now HSBC securities (USA) inc.), a New York based primary dealer in US government securities. In 1986, HSBC Australia was established. In 1987, it acquired the remaining shares of Marine Midland and a 14.9% equity interest in Midland Bank (now HSBC Bank Plc).

In 1991, HSBC Holdings was established (as mentioned previously); its shares were traded for the first time in London and Hong Kong stock exchanges. In 1992, it purchased the remaining equity stake in Midland Bank. In 1993, it moved its head office to London. In 1994, HSBC Malaysia was established. In 1997, the group established a subsidiary in Brazil, Banco HSBC Bamerindus S.A., and acquired Roberts S.A. de Inversiones in Argentina, HSBC Brazil, and HSBC Argentina, respectively. In 1999, shares of HSBC began trading on a third stock exchange, New York. In the same year it acquired, Republic New York Corporation, which was then integrated into HSBC USA Inc and its sister company Safra Republic holdings S.A. (now known as HSBC Republic Holdings Luxembourg). At the same time Midland acquired a 70.03% stake in Mid-Med Bank Plc (now HSBC Bank Malta Plc.), the biggest commercial bank in Malta.

In 2000, HSBC acquired CCF, one of the largest Banks in France. Its shares were also traded on a fourth stock exchange, Paris. The group also increased its shareholding in the Egyptian British Bank to over 90% and then later renames it HSBC Bank Egypt S.A.E. It went on to acquire Demirbank TAS, now HSBC Bank A.S., Turkeys fifth largest private Bank in 2001. Additionally, it signed an agreement to purchase 8% stake in the Bank of Shanghai. In 2002, it acquired Grupo Financiero Bital, S.A., de C.V., one of Mexico's largest financial services groups; and a 10% interest in Ping An Insurance Company of China Limited, the second largest life insurance operation in China. In 2003, it acquired Household International (now HSBC Finance Corporation), a leading US consumer finance company; and Lloyds TSB's Brazilian assets including Losango Promotora de Vendas Ltda, a major consume credit institution. Four French private banking subsidiaries combine to form HSBC Private Bank France. The company's insurance brokers at the same time formed a joint venture Beijing HSBC Insurance Brokers Ltd, in which it has a 24.9% stake. Hang Seng Bank also acquired about 16% of Industrial Bank Co. Ltd, a mainland Chinese Commercial Bank, and HSBC agrees to purchase 505 of Fujian Asia Bank Limited (now known as Ping An Bank Limited). In 2004, it acquired the Bank of Bermuda Ltd, a leading provider of fund administration, trust, custody, asset management, and private banking services. It also opened in a fifth stock exchange, the Bermuda stock exchange. In the same year it acquired about 20% of the Bank of Communications Limited, Chinas fifth largest bank.

EXISTING LITERATURE REVIEW

Around the world corporations are increasingly becoming aware of the enhanced value that corporate branding strategies can provide for an organization. According to Weitz and Wensley (1988), they define marketing strategy as an indicator that is specific towards which activities are to be targeted and the types of competitive advantages that are to be developed and exploited. Implicitly, the strategy requires clear objectives and a focus in line with an organisation's corporate goals; the right customers must be targeted more effectively than they are by its competitors, and associated marketing mixes should be developed into marketing programmes that successfully implement the marketing strategy, Varadarajan (1999).

A strategic market plan is an outline of the methods and resources required to achieve an organisation's goals within a specific target market. It takes into account not only marketing but also all the functional aspects of a business unit that must be co-ordinated. These functional aspects include production, finance and personnel. Environmental issues are an important consideration as well. The concept of the strategic business unit is used to define areas for consideration in a specific strategic market plan. Each strategic business unit (SBU) is a division, product line or other profit centre within a parent company. Each sells a distinct set of products to an identifiable group of customers, and each competes with a well defined set of competitors, Dibb et al. (2001). Each SBU's revenues, costs, investments and strategic plans can be separated and evaluated apart from those of the parent company. SBUs operate in a variety of markets, which have differing growth rates, opportunities, degrees of competition and profit making potential. HSBC's business units includes, personal financial services, consumer finance, commercial banking, corporate investment banking and markets, and finally, private banking. Strategic planners within the group therefore must recognise the different performance capabilities of each business unit and carefully allocate resources or strategically implement its business objectives in order to meet the company's long term goals. They must also ensure that the business units complement each other for the greater good of the overall business.

The process of strategic market planning yields a marketing strategy that is the framework for a marketing plan. A marketing plan includes the framework and entire set of activities to be performed; it is the written document or blueprint for implementing and controlling an organisation's marketing activities. Thus a strategic market plan is not the same as a marketing plan; it is a plan of all aspects of an organisation's strategy in the marketplace, Dibb et al. (1996). A marketing plan, in contrast, deals primarily with implementing the marketing strategy as it relates to target markets and the marketing mix, Abell and Hammond (1979).

To achieve its marketing objectives, an organisation must develop a marketing strategy, or a set of marketing strategies. The set of marketing strategies that are implemented and used at the same time is referred to as the organisation's marketing programme. Most marketing programmes centre on a detailed marketing mix specification and include internal controls and procedures to ensure that they are implemented effectively. Through the process of strategic market planning, an organisation can develop marketing strategies that, when properly implemented and controlled, will contribute to the achievement of its marketing objectives and its overall goals. However, Harris (2002) argues that companies operating in the financial services market, particularly the big four retail banks (HSBC, Barclays, Lloyds TSB, and the Royal Bank of Scotland (with its acquisition of Natwest), primarily rely on generic marketing strategies. To formulate a marketing strategy, the marketer identifies and analyses the target market and develops a marketing mix to satisfy individuals in that market. Marketing strategy is best formulated when it reflects the overall direction of the organisation and is co-ordinated with all the company's functional areas. The strategic market planning process is based on an analysis of the broader marketing environment, by which it is very much affected. Marketing environment forces such as legal forces, political forces, technological forces, economic and competitive forces, societal/green forces, and regulatory forces, can place constraints on an organisation and possibly influence its overall goals; they also affect the amount and type of resources that a business can acquire, Dibb et al (2001). They also do create favourable opportunities as well, such as internet banking in which HSBC and Merrill Lynch created an online banking and investment facility, which has proved profitable for both company's as a whole, Eppendorfer et al. (2002). Marketing environment variables play a part in the creation of a marketing strategy. When environment variables affect an organisation's overall goals, resources, opportunities or marketing objectives, they also affect its marketing strategies, which are based on the factors mentioned previously. They impact consumers needs, desires and they affect competitors' plans.

Now, according to Polito (2005), branding in the classic sense is all about creating unique identities and positions for products and services, hence distinguishing the offerings from competitors. Corporate branding employs the same methodology and toolbox used in product branding, but it also elevates the approach a step further into the board room, where additional issues around stakeholder relations (shareholders, media, competitors, governments and many others) can help the corporation benefit from a strong and well-managed corporate branding strategy. Not surprisingly, a strong and comprehensive corporate branding strategy requires a high level of personal attention and commitment from the CEO and the senior management to become fully effective and meet the objectives.

Corporate branding is a serious undertaking that entails more skills and activities than just an updated glossy marketing facade with empty jargon. A strong corporate branding strategy can add significant value in terms of helping the entire corporation and the management team to implement the long-term vision, create unique positions in the market place of the company and its brands, and not the least to unlock the leadership potential within the organization. Hence a corporate branding strategy can enable the corporation to further leverage on its tangible and non-tangible assets leading to branding excellence throughout the corporation, Polito (2005).

HSBC as stated in the latter has in recent years acquired a vast number of companies across the globe and adopted them fully under its international corporate brand with great success and within a surprising short timeframe. A strong brand is about building and maintaining strong perceptions in the minds of customers. This takes time to establish and many resources to keep, but eventually no one remembers what the local banks used to be called, and HSBC has managed to transfer the brand equities from the acquired brands into its own corporate brand equity.

There are several benefits for employing a branding strategy that a corporation can exploit. First of all, a strong corporate brand is no less or more than the face of the business strategy, portraying what the corporation aims at doing and what it wants to be known for in the market place. The corporate brand is the overall umbrella for the corporations' activities and encapsulates its vision, values, personality, positioning and image among many other dimensions. Think of HSBC, which has successfully implemented a stringent corporate branding strategy. HSBC employs the same common expression throughout the globe with a simple advertising strategy based on the slogan The world's local bank.☐ This creative platform enables the corporation to bridge between many cultural differences, and to portray many faces of the same strategy.

Additionally, HSBC's brand name has enabled a number of key mergers and acquisitions (mentioned previously) around the globe, which has so far strengthened its market presence in the banking world, Brand Finance (2000).

The Marketing Strategies of the HSBC Group 2005
Towards the end of 2003, HSBC launched 'Managing for Growth', a strategic plan that provides HSBC with a blueprint for growth and development during the next five years. The strategy is evolutionary, not revolutionary. It builds on HSBC's strengths and it addresses the areas where further improvement is considered both desirable and attainable.
HSBC concentrates on growing earnings over the long term at a rate which will place it favourably when compared with its peer group. Also it focuses on investing in its delivery platforms, its technology, its people and its brand to support the future value of HSBC as reflected in its comparative stock market rating and total shareholder return ('TSR'). HSBC remains committed to benchmarking its performance by comparison with a peer group.

Its core values are integral to its strategy, and communicating them to customers, shareholders and employees is deemed as intrinsic to the plan. These values comprise an emphasis on long-term, ethical client relationships; high productivity through teamwork; a confident and ambitious sense of excellence; being international in outlook and character; prudence; creativity and customer focused marketing.

Under the 'managing for growth' scheme, eight strategic imperatives were identified as the key marketing and business strategies for 2004 - 2008. They are:

Brand: make HSBC and its hexagon symbol one of the world's leading brands for customer experience and corporate social responsibility
Personal Financial Services: drive growth in key markets and through appropriate channels to make HSBC the strongest global player in personal financial services
Consumer Finance: extend the reach of this business to existing customers through a wider product range and penetrate new markets Commercial Banking: make the most of HSBC's international customer base through effective relationship management and improved product offerings in all the Group's markets
Corporate, Investment Banking and Markets: accelerate growth by enhancing capital markets and advisory capabilities focused on client service in defined sectors where HSBC has critical relevance and strength
Private Banking: serve the Group's highest value personal clients around the world
People: attract, develop and motivate HSBC's people, rewarding success and rejecting mediocrity; and
TSR: fulfil HSBC's TSR target by achieving strong competitive performances in earnings per share growth and efficiency.
RESEARCH APPROACH AND METHODOLOGY EMPLOYED

Research Approach

The research approach will be carried out using the positivist case research approach. According to Cavaye (1996), positivist epistemology tries to understand a social setting by identifying individual components of a phenomenon and explains the phenomenon in terms of constructs and relationships between constructs. The theoretical constructs describing the phenomenon are considered to be distinct from empirical reality. Hence, empirical observations can be used to test theory. This looks at the world as external and objective. Positivism employs four major research evaluation criteria: a good research should make controlled observations, should be able to be replicated, should be generalizable and should use formal logic.

Under positivism, case research findings are not statistically generalizable to a population, as the case or cases cannot be considered representative of a population, however case research can claim theoretical generalizability.

This will also include comparing, contrasting and critically evaluating past and present papers, articles, journals, and established theories that have been published on the subject matter.

Methodology Employed
Multiple-Case Study Design
This project uses the multiple case study method in order to enable analysis of data across cases and relating it to the theoretical perspectives in the available literature of marketing strategy. This enables the researcher to verify that findings are not merely the result of idiosyncrasies of research setting (Miles and Huberman, 1984). According to Yin (2002), in such a method it is important to use: multiple sources of evidence.

The appropriate number of cases depends, firstly, on how much is known about the phenomenon after studying a case and secondly, on how much new information is likely to emerge from studying further cases (Eisenhardt, 1991).

This paper detailed analysis about the marketing strategies employed by HSBC, in comparison to its other major competitors, namely Barclays Bank, Royal Bank of Scotland, and Citibank. Analysis of the marketing strategy of HSBC is evaluated with regard to the organisation meeting customer needs and requirements, advertising strategies and the need to increase its customer base and market share are all addressed. One wants to see if there are any matches with regard to the theoretical literature of marketing strategy and what the empirical evidence gathered says and also any mismatches. This also relates to the literature review.

Qualitative Data
Cavaye (1996) states that qualitative investigation refers to distilling meaning and understanding from a phenomenon and is not primarily concerned with measuring and quantification of the phenomenon. Direct and in-depth knowledge of a research setting are necessary to achieve contextual understanding. Hence, qualitative methods are associated with face-to-face contact with persons in the research setting, with verbal data (Van Mannen 1989) being gathered.

Qualitative data can be collected in a number of forms. One major form of qualitative evidence is interviews, which may be recorded and later transcribed. Qualitative data are rich, full, holistic 'real' their face validity seems unpeachable; they preserve chronological flow where that is important (Miles 1979).

In spite of the abovementioned, qualitative data have weaknesses (Miles 1979; Miles and Huberman, 1984). Collecting and analysing data is time-consuming and demanding. In addition, data analysis is not easy, as qualitative data analysis methods are not well established. Recognised rules of logic can be applied to verbal data in order to make sense of the evidence and to formally analyse the data.

Rubin and Rubin (1995) state that it is most desirable to disclose the identities of both the case and the individuals interviewed because,

The reader is able to recall any other previous information he or she may have learned about the same case from previous research or other sources in reading and interpreting the case report.

The entire case can be reviewed more readily, so that footnotes and citations can be checked, if necessary, and appropriate criticisms can be raised about the published case.

Nevertheless, there are some occasions when anonymity is necessary. The most common rationale is that when the case study has been on a controversial topic, anonymity serves to protect the real case and its real participants. The second reason is that the issuance of the final case report may affect the subsequent actions of those that were studied.

Quantitative Data
This is concerned with measuring aspects of a market or the population of consumers making up the market. This includes soft approaches such as consumer attitudes as well as the hard things such as market size, brand shares, purchase frequencies etc. Quantitative data on a market or consumer group can be obtained through carrying out a census, obtaining the relevant measures from every single consumer or player in the market.

In practice, research through a census collection is very rare; for one thing it is usually prohibitively expensive to obtain data from every individual (the government only carries out a population census once every 10 years) and even if the money is available the timescales involved are likely to be too long to meet commercial deadlines, Meier (1991). Furthermore, a census is unnecessary since the alternative; sampling can normally produce adequate and acceptably reliable data for a fraction of the cost. Quantitative research is, therefore, nearly always based on more or less rigorous sampling methods which have in common the assumption that the data from the samples can be taken to represent, within estimated levels of accuracy, the population or universe from which they are drawn, (Hague 2002).

Types of Quantitative Data
The range of information which can be and is collected through quantitative research is enormous if not infinite. In relation to deciding how data should be collected, all the possibilities can be categorised into a simple threefold classification:

1.Market measures
2.Customer profiles or segmentation
3.Attitudinal data.

Market measures quantify and describe a market. Common examples include: market and sector size; shares of the market held by suppliers or brands; penetration levels (what proportion of all potential consumers own or buy a product); purchase and consumption frequencies; patterns of consumption and seasonality. Data of this type is very essential for any manager developing or reviewing a marketing plan for a company, product group or brand name like HSBC's hexagon logo.

Market measures taken from a sample are generally projected or grossed up to the total market or population, e.g., the proportion of households in a sample found to be without a PC can be multiplied by available estimates of the number of total households to provide an indicator of untapped potential. A vital concern in the marketing of a product or service is knowing and understanding the potential customer base; what type of people or organisation are they? What other types of products or services do they own or use? What is required to meet this need is customer profiling or segmentation data and it is quantitative in nature because reliable breakdowns are needed for the whole market or population, Buck (1990).

Hague (2002) argues that profiling data can take various forms: socio-demographics (age, sex, income and occupation group, education level, home tenure etc); geo-demographics; various business classifications such as company size, industry etc. for business to business research or it can relate to consumer behaviour (ownership of various products, purchase or usage levels, media exposure etc.). Unlike market measures, consumer profiling data can be collected only from consumers (including organisations in the case of business to business research) although the distribution or manufacturing levels in the market may also need profiling.

Attitudinal data is used in a quite general sense to cover concepts such as awareness, perceptions, beliefs, evaluations, preferences and propensities. In other words they are, in their various forms, subjective and reside in the minds of individuals. Much market research under this is concerned with attitudes and attitude measurement because attitudes and your marketing may mould consumer choice in your favour. Attitudes are of course very much the subject of qualitative research which is often concerned to identify relevant dimensions and categories of attitudes. In quantitative research, the focus is on establishing the degree to which specific attitudes exist among the market and population.

The most important tool for data collection under quantitative research is face to face interviewing. However, in situations where over a hundred firms need to be interviewed, due to the cost attached to carrying out such a task, doing a telephone interview would seem more appropriate. The methods used to record data and data analysis here, is predominantly through questionnaires. Most questionnaires used in quantitative research involve a predominance of pre-coded or closed questions and the layout of the response points can help to minimize problems of mis-recording. More problematical, however, is the recording of open-ended questions, such as why did you buy this product, then? This usually leads to a lengthy or rambling response from the individual, in which what is said is then summarized or abbreviated and there is no way of knowing whether what is recorded reasonably reflects the response given.

In the case of this paper, due to the short deadline associated with writing this paper, one was only able to get a telephone interview (primary data collection method) from a senior manager of customer relationship management at one of HSBC's flagship branches in the London area. Additionally one has also used multiple sources of evidence, i.e. secondary sources of information, articles, journals, established theories, HSBC's annual report, comments by top management within the organisation are analysed and also the company's website are all used to evaluate and address the effectiveness of its use of market strategy to increase its market share and customer base.

The remainder of this paper proceeds as follows, analysis of findings, overview of the marketing strategy, criticisms, summary and conclusion.

ANALYSIS OF FINDINGS

Central to achieving a company's corporate vision is the need to build up a loyal customer base of satisfied customers. HSBC did not overtake its major competitors by chance in acquiring foreign financial institutions; it developed a clear marketing strategy based on a desire to fully satisfy a carefully targeted set of market segments. As the BBC (2004) gathered, a quarter of HSBC's 2003 profits were made in the UK, and it made around £70 profit per customer. Additionally, the bulk of its profits came from acquisitions elsewhere, US personal loan firm Household International and HSBC Mexico. Although Household International operates in the UK, HSBC says its British market accounts for less than 10% of this division's profits.

Market segmentation is at the core of robust marketing strategy development. This involves identifying customer needs, expectations, perceptions, and buying behaviour so as to group together homogeneous customers who will be satisfied and marketed to in a similar manner. One segment will differ from another in terms of customer profile and buying behaviour, and also with regard to the sales and marketing activity likely to satisfy these customers. Having sufficient knowledge of these customers is fundamental. It is important to remember that the process of market segmentation involves more than simply grouping customers into segments. Shrewd targeting of certain segments and the development of a clear brand positioning are part and parcel of the market segmentation process.

Now, HSBC launched a marketing strategy called 'Managing for growth', which is to cover and deal with its strategic outlook for the period 2004 - 2008. From the company website, they have stated that they will deliver this by; focusing on enhancing HSBC's revenue generation culture, develop its brand name further (hexagon logo), manage costs strategically, maintain a prudent credit/market risk stance, and invest further in its people. Addition ally, acquisitions still remains an integral part of their strategy.

As stated from the company's website, they will concentrate on growing earnings over the long term at a rate which will place it favourably when compared with its peer group. It will also focus on investing in its delivery platforms, its technology, its people and its brand to support the future value of HSBC as reflected in its comparative stock market rating and total shareholder return ('TSR'). HSBC remains committed to benchmarking its performance by comparison with a peer group.

They argue that their core values are integral to its strategy, and communicating them to customers, shareholders and employees is intrinsic to the plan. These values comprise an emphasis on long-term, ethical client relationships; high productivity through teamwork; a confident and ambitious sense of excellence; being international in outlook and character; prudence; creativity and customer focused marketing.

They state that their brand name has been an outstanding success and they will continue with the next phase of their strategy. They argue that the brand name is now sufficiently strong that they can accommodate brand variety at customer, product and even country level as and when required by the business model. Adding, reputation on their part is the key element of the brand proposition and cannot be overstated. Their policies for corporate social responsibility and the environment are part of their brand name in which they reach their objectives through the philanthropic objectives of the company.

Details of Telephone Interview
In a telephone interview conducted, the head manager of personal customer relationships management argued that HSBC does have a marketing strategy. The respondent stated that they were responsible for 25 people all working on different projects within the customer relationship management department. The respondent added that the marketing strategies employed predominantly by HSBC were, advertising with the use of its already established brand name of being seen as 'the world's local bank', market segmentation of products and services to consumer groups at different locations worldwide. When asked if these marketing strategies have been effective? The respondent replied, yes, they have been effective, adding that most of the profits generated have been from its overseas subsidiaries. This tallies with what was stated on the BBC (2004).

With regard to payoffs or financial gains generated in relation to the effective use of these marketing strategies, the respondent argues that they have been able to capitalise on their overseas presence, local knowledge, and expertise to bring in new customers to open personal current accounts, and also look at other products and services offered by HSBC.

When asked what influential factors would inform a potential customer to choose HSBC's services and products over its major competitors like Barclays, the respondent replied, the long term experience of the company plays a critical part in dealing with customer preferences, its excellent and well trained staff are fully equipped to deal with customer queries and body language, the corporate brand name, a recommendation from a fellow user of HSBC's products and services, lower charges, its vast range of products which other competitors do not have (e.g. its international reach), a convenient location to be able to withdraw and look at cash balances (ATM accessibility), and lastly advice from an individual with regard to the services and products that HSBC provides.

Finally, when asked whether these marketing strategies are generic or are they based on a roll-plan? The respondent stated that they are generic, depending on what country or region that the various subsidiaries of HSBC are located, certain strategies mentioned previous are put to good use over the other.

Overview of marketing strategy employed for 'The Business Units'
In 2003, HSBC invested significant amounts in proprietary customer relationship management systems to ensure their growing customer base is managed efficiently. As a result of this they now handle a greater share of customer financial requirements and in the process, generating higher levels of customer satisfaction. For example in 2001, the 'Individual solutions programme' in the UK generated more than five million customer contacts, over one million of which led to an expansion of an existing relationship.
The internet goes to the very heart of customer convenience and is an increasingly important channel for their customers. The joint venture Merrill Lynch HSBC extended its online investment-led broking and banking service from Canada and Australia to the UK. Although roll-out plans for other countries had to be postponed following the downturn in equity markets Merrill Lynch HSBC expanded its existing service with the introduction of managed funds in Australia and tax - efficient products in the UK.

With more financial services available through the internet, electronic organisers, mobile phones, television and private network connections, their electronic banking customer numbers have more than doubled to more than three million in a space of two years. HSBC's e-banking services are available in seventeen countries and territories worldwide. Their websites according to them receive an average of 210,000 customer visits a day, about 75 million a year and rising.

Commercial banking: this is an area where they provide banking services for small to middle market business customers, which they see this as one of their traditional strengths. The 1.8 million customers in this particular business unit include incorporated businesses, trading entities, partnerships, sole traders, clubs and associations. Adding that due to there international reach; they are ideally placed to meet the requirements of their existing and future customers. There main contact with these customers is through a network of relationship managers. Relationships are established and managed at the local branch level or through their expanding worldwide network of commercial banking centres.

Corporate, Investment Banking and Markets: The international reach of HSBC enables the company to be one of the few financial institutions that can provide its major customers with a full range of transaction and investment banking and markets services worldwide. This undoubtedly proved to give HSBC a competitive advantage in 2001 when despite the challenging economic conditions; improvements were made in performance and profitability by focusing on the core business relationship. The company provides services to over 25,000 subsidiaries and offices of about 1,200 major customers in more than 50 countries and territories.

Adding, client service teams are at the heart of the operations of the group as a whole. This consists of relationship and product managers from around the world who understand customer business needs. The group supports these teams by investing heavily in increased automation and software for risk management, central systems to support relationship management, and intranet sites to share industry, product, and geographical knowledge.

Private Banking: Following the company's recent acquisitions, the group continued to integrate the private banking operations of Republic and CCF in 2001, creating a Swiss holding company, HSBC Private Banking Holdings (Suisse) SA, through which most of their worldwide private banking operations are now owned. This coherent method of ownership structure benefits high net worth individuals and their families by enabling them to bring together a full range of world class private banking services. They have over 4,500 employees in 50 different locations that supply services such as deposits and fund transfer, tax and trustee structures, asset and trust management, mutual funds, currency and securities transaction, lending and guarantees.

The appointment of relationship managers who operate on a cross border basis to serve the specialised requirements of clients in such sectors as diamonds, jewellery, sports and media are all in line with the group's differentiated approach to international private banking.

Service Centre: The importance of global processing is at the heart of the group's strategic aim of pursuing economies of scale in order to improve service, increase productivity and achieve a competitive, economic advantage. Since their introduction in 1996, these processing centres have taken on progressively, on a cross border basis, more of the back office functions previously conducted in the country of origin of that particular transaction. Due to the ever increasing customer base of the group more service centres are planned for the future. Most recently, two centres were opened in Bangalore, and Shanghai.

The Brand: The establishment in 1999 of HSBC as a uniform, international brand name ensured that the corporate symbol is an increasingly familiar sight across the world. In 2001, a programme was launched to differentiate the 'Hexagon' symbol from those of the other competitors by describing the unique characteristics which distinguishes HSBC.

CRITICISMS OF THESE STRATEGIES

Banks have found that Personal Current Account's (PCA) are a 'gateway' to selling other financial products. According to Lloyds TSB "the PCA remains the key relationship product". Abbey National states that a PCA provides almost 100 customer contacts a year, much more than other financial products.

Evidence from Lloyds TSB is that customers who hold a PCA are two to four times more likely to hold another Lloyds TSB financial product. In a document published by the Competition Commission (2001) they argue that Lloyds TSB has a higher market share within their own PCA customers than they have within the market as a whole. Whilst this does suggest a general pattern of cross holding of financial products, it does not mean that the cross selling has been from PCAs to other products rather than vice versa.

Regardless of the causality of financial product purchase, the PCA seems to represent a pivotal financial product that provides:

A direct opportunity for profit;
It provides an opportunity to cross-sell additional profitable financial products;
It also acts as an important opportunity for a high level of customer contact.

It might be assumed that the PCA is a financial product where banks aggressively seek to defend current customers and acquire new customers.

In 2000, Banks in the UK spent £313 million on advertising. In a report by the UK Competition Commission (2001), they found that while there was a tentative relationship between total advertising expenditure and PCA market share, there were significant exceptions to the trend and virtually no relationship at lower market shares.

Theoretically, if marketing and market share are related, there may be a relationship between the change in market share and the marketing expenditure. However, even within the 'big four' this is clearly not true. Barclays and HSBC have both increased their market share by 1% in the five years to 2000, despite very different levels of marketing investment. Lloyds TSB have dropped by 2% despite spending more than Barclays or HSBC and NatWest/RBS could be said to have jointly declined by 4% despite having a joint expenditure of more than twice as much as Barclays.

The relationship between market share and expenditure, feeble as it is, disintegrates completely (perhaps even becomes negative) when some effort is made to relate PCA market share to the £23.5M that was spent on advertising that is directly attributable to PCAs.

Much of the higher expenditure as the Competition Commission puts it, is by banks that are growing their brand awareness. Again there is no connection between the 5 year growth in market share (from 1996 - 2001) and the current level of expenditure. This poor correlation might be partially explained if much of the marketing related to PCAs is unmonitored advertising expenditure, (e.g. direct mail) which would be excluded. It is also possible that the aggregate expenditure of the last 5 years (from 1996 - 2001) may be related to the aggregate growth (or decline) in market share. However given that the largest cost in most consumer focused marketing is advertising and given that there has been very little net movement in market share it is more likely that there is little or no relationship between expenditure and market share.

The main point here is that no matter how much the HSBC group has spent on advertising, it does not mean that the advertising marketing strategy will lead to an increased proportion in market share for the group.

Current Banking Communications

BANK - CAMPAIGN - KEY MESSAGES

Lloyds TSB

Your Life. Your Bank
Cross selling of financial products, the heritage of the bank and its services for small businesses.
Royal Bank of Scotland (Natwest)

Another Way
Traditional branch based banking, service and convenience are key themes.
Barclays

Fluent in Finance
Finance experts, (previous campaigns emphasised size and Internet services
HSBC

The World's Local Bank
Emphasising their global capability and strength
Abbey National

Because Life's Complicated Enough.
One stop financial service supplier ☐
Halifax

Giving You Extra
30x as much interest as 'big four' PCA
The table above shows the most recent communications of the largest banks in the UK would seem to indicate that HSBC and Barclays are targeting large business customers, whilst Lloyds TSB is considering small customers and PCA holders. NatWest and The Abbey National are the only banks emphasising traditional branch-based banking and thus the status quo. But only NatWest (merged into Royal Bank of Scotland) is likely to benefit from this, as it is one of the 'big four',

The Abbey National is unlikely to encourage change, but is promoting the traditional model of banking.

SUMMARY AND CONCLUSION

This paper has looked at the history of the HSBC group. From its early days in 1865, when it started of as a Public Limited Corporation in Hong Kong, to being a truly global banking giant. The various acquisitions and takeovers achieved by the corporation are also mentioned. The various financial services or business units which HSBC consists of are identified. These are: Personal Financial Services; Consumer Finance; Commercial Banking; Corporate, Investment Banking and Markets; and Private Banking. We have also touched on existing literature that covers the concept of marketing strategy and also the marketing strategies employed by the HSBC Group are evaluated. Additionally, various research methodologies and approaches are mentioned in which, a telephone interview was the only way one was able to gain a better understanding of the marketing strategies employed by the HSBC Group. An analysis of findings with regard to the type of market segmentation for robust strategy development of the group is looked at. Finally, an overview of these marketing strategies is also done, with a few criticisms as to the validity of employing such marketing strategies are critically analysed.

As a whole it would be worthwhile to conclude that HSBC has done a fantastic job in investing in its brand name, using the hexagon logo, which states 'the World's Local Bank'. It has not only reinforced their customer base and retained their market share at home, but also abroad. Its sensible, timely, and resilient approach to acquisitions abroad, has enabled the company to have a better understanding of global banking, whereby as stated previously, three quarters of the profits generated for the year 2004, came from its subsidiaries abroad, BBC (2004). Although, it spent close to $2 billion in advertising for the year 2004 worldwide, that is a huge amount, whereby its market share with regard to the banking segments in which it functions, has not improved any wider than the previous years market share. One could say that this is a waste of the marketing budget, rather than wasting money on advertising, the group could possibly fare better by diversifying the funds into other areas of production where it is deemed as profitable. Areas such as increased loans and reduced interest payments in areas such as Brazil, where subsistence farming is widely practiced would be beneficial to the Group as a whole.

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