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DIFFERENCE IN THE ECONOMIC MEANING OF CONCEPTS "FINANCIAL ENGINEERING" AND "PACKAGE SALE"

In the article it is determined that financial engineering is repelled from the customer needs, and packaged sales of products and packages. At the same time, difference between financial engineering and package sale, aren't defined accurately. Packing services are considered at four levels: inner productive; inter productive; inter institutional and at the level of self-servicing. It demonstrated the concept of packet-sale financial services. if the customer uses all of the package services for small and medium businesses, the interest rate will be minimal. In this case, a package sale is profitable for both sides: the bank will get the income-generating and loyal customer, who will focus all his transactions in one bank, and the customer will be able to reduce costs for loan servicing, which usually takes the biggest part in the cost structure of bank services. The conducted comparative analysis between financial engineering and financial services package on the ten parameters. The packaging can only be considered as one of the stages or instruments of financial engineering – physical.

Key words: financial engineering, package sale, segmentation, financial services, sales strategy.

Fig. 1, Tabl. 1. Lit. 10.

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РІЗНИЦЯ В ЕКОНОМІЧНОГО РОЗУМІННІ ПОНЬТЬ «ФІНАНСОВА ІНЖЕНЕРІЯ» І «ПАКЕТНИЙ ПРОДАЖ»

У статті визначено, що фінансова інженерія відштовхується від потреб споживачів, а пакетний продаж від фінансових продуктів, які об'єднуються в пакети. До тепер, різниця між фінансовою інженерією та пакетним продажем не була чітко визначена. Пакетні продажі розглядаються на чотирьох рівнях: внутрішньопродуктовому; міжпродуктовому; міжінституційному та на рівні самообслуговування. Продемонстровано концепцію пакетних продажів фінансових послуг. Зазначено, якщо клієнт використовує всі послуги пакета для малого та середнього бізнесу, процентна ставка буде мінімальною. У цьому випадку, пакет фінансових послуг є вигідним для обох сторін: банк отримає доходного та лояльного клієнта, який зосередить всі свої операції в одному банку, а клієнт зможе зменшити витрати на обслуговування кредиту, що традиційно займає найбільшу питому вагу в структурі витрат на банківські послуги. Проведено порівняльний аналіз фінансової інженерії та пакетного продажу фінансових послуг з використанням десяти параметрів. Зроблено висновок, що пакетування можна розглядати лише як один із етапів чи інструментів фінансового інженера – фізичний.

Ключові слова: фінансова інженерія, пакетний продаж, сегментація, фінансові послуги, стратегія продажів.

Добровольский А.И.

РАЗНИЦА В ЭКОНОМИЧЕСКИХ ПОНЯТИЯХ «ФИНАНСОВАЯ ИНЖЕНЕРИЯ» И «ПАКЕТНАЯ ПРОДАЖА»

В статье определено, что финансовая инженерия отталкивается от потребностей потребителей, а пакетная продажа от финансовых продуктов, которые объединяются в пакеты. До сих пор, разница между финансовой инженерией и пакетной продажей не была четко определена. Пакетные продажи рассматриваются на четырех уровнях: внутривидовом; межвидовом; межинституциональном и на уровне самообслуживания. Продемонстрировано концепцию пакетных продаж финансовых услуг.

Указано, если клиент использует все услуги пакета для малого и среднего бизнеса, процентная ставка будет минимальной. В этом случае, пакет финансовых услуг выгоден для обеих сторон: банк получит доходного и лояльного клиента, который сосредоточит все свои операции в одном банке, а клиент сможет уменьшить расходы на обслуживание кредита, которые традиционно занимают наибольший удельный вес в структуре расходов на банковские услуги. Проведен сравнительный анализ финансовой инженерии и пакетных продаж финансовых услуг с использованием десяти параметров. Сделан вывод, что пакетирования можно рассматривать лишь как один из этапов или инструментов финансового инженера – физический.

Ключевые слова: финансовая инженерия, пакетные продажи, сегментация, финансовые услуги, стратегия продаж.

Fixed search of options of financing promotes emergence of new decisions in this sphere. Emergence of the next tool of a financial industry is followed reformatting of economic relations between agents. There are also opportunities to structure in packets available offers of financial institutions for the solution of a task of redistribution of resources. Development of financial relations requires a clear understanding of the differences between the common concepts of financial engineering and package sales of financial services.

Treat researchers of financial engineering: J.D. Finnerty [1], J.F. Marshal, Vykul K. Bansal [2], G.L. Gastineau, M.P. Kritzman [3], I. Giddy [4], K. Smith [5, 50-55], A. Akansu, M. Torun [6]. As for the bank services package, according to Khutaiev R.I. [7], the bank services package is a bunch of bank services, united by one bank rate, that are provided to one customer. Smirnov M.A. [8, 58-70] considers that the package is primarily a marketing structure of bank services and should not necessarily be shown to the customer entirely.

At the same time, difference between financial engineering and package sale, aren't defined accurately. The aim article is division economic meaning of concepts "financial engineering" and "package sale".

Packing services can be defined at four levels: innerproductive; interproductive; interinstitutional and at the level of self-servicing. At the inner productive level the customer together with the central product, that meets his needs, gets a satellite service. Satellite service is a service that cannot be separated from the standard bank product. Thus, SMS and statements, received by the customer through e-mail are designed to display transactions on his account. In inter productive package the product is combined with the service. The interproductive package combines heterogeneous or homogeneous bank products, and the interinstitutional allows to combine inter productive level with products of other non-banking financial institutions. The main product of this package is a bank product or a package of banking products. Other products are sold by the bank under agency agreements, co-branding programs, state programs aimed at supporting certain sectors of the national economy, "social banking" and others.

Self-servicing is considered the most successful option of the package sale. In this case, back office of the financial institution sells a product, that meets the customer's needs, connects Internet banking, and at the same time signs a Master Services Agreement in off-line mode [9]. Then, the customer independently (due to on-line access) selects the services he needs. Thus, the final consumer generates a package of the necessary services instead of the financial institution that provides these services.

A typical combination of services for a particular customer group is formed in the financial package. The package offer is formed with regard to the needs of a focus group or segment. Customers can be assigned to different segments based on: legal status, branch of activity, profession, social status and demographic criteria, profitability. In addition, segments can be allocated according to the main indicators of financial, statistical and other forms of accounting that determine the ranking, based on the active use of bank services.

This segmentation facilitates:

- formation of customer focus groups;

- arrangement of typical services for specific customer segments;
- creation of the package offer.

With a successful packaging the financial institution can significantly reduce the central product price in the package. To achieve significant results in the promotion of the package services it is required:

- 1) to create specific product solutions for a particular segment;
- 2) to generate high rates of new customers' attraction;
- 3) to activate dormant customers by creating affordable price packages for target groups: from the cheapest (as part of the loyalty program) to the most expensive [9].

The effectiveness of introduction of the financial services package is proved by:

- feasibility of the cross-selling of products of financial institutions at once, instead of post-sale service;
- targeted attraction of customers of a particular segment;
- effective maintenance of the existing customer base by transferring it to the services package;
- increase of the customer loyalty [10];
- self-servicing promotion;
- reduction of fixed and variable costs accompanied by the process of product sale;
- increased revenues of the package holder;
- promotion of others (unpopular) products;
- recovery of services for customers, who previously have been with the bank.

Different levels of package sales correspond to separate strategies of their promotion (Fig. 1).

The more services can be combined in a package for a specific customer, the less the basic service would cost him. So, if the customer uses all of the package services for small and medium businesses, the interest rate will be minimal. In this case, a package sale is profitable for both sides: the bank will get the income-generating and loyal customer, who will focus all his transactions in one bank, and the customer will be able to reduce costs for loan servicing, which usually takes the biggest part in the cost structure of bank services.

Even with the apparent advantages of services package introduction there are also significant disadvantages:

1. Segmentation limits the number of potential and prospective customers, who are not fallen under any of the segments.
2. The package cannot be offered to large corporate and VIP-customers. They require customized solutions.
3. In the event of massive package sales, which happen when attracting customers under the salary-card project, the product is actually imposed. The sales are performed formally.
4. In case of the wrong packaging, various packages or one package can contain competing services: bank deposit, investment deposit, and placement of money with non-state pension funds.
5. The package contains only those services that can be technologically combined.
6. Services package helps to attract inactive customers. Especially, when most services in the package are free.
7. The infrastructure for financial services package sale should be created.

Selling of a bank package to the microbusiness segment can combine the following bank services:

- loans (basic service);
- cash management services;
- internet banking;
- salary-card project;
- the operation of buying and selling currency in the interbank market and others.

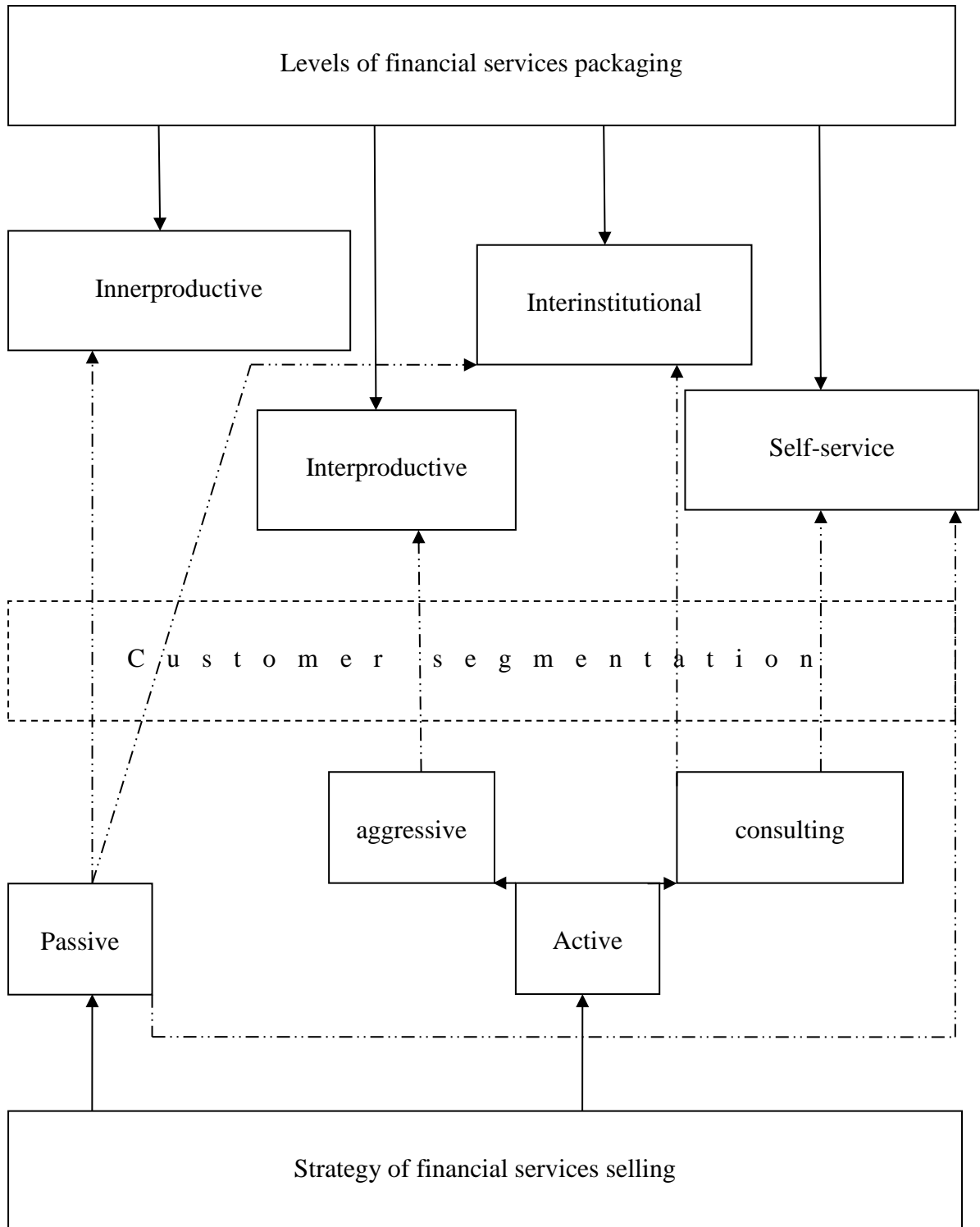


Fig. 1. The concept of financial services package sales

Source: made by author

These disadvantages can be eliminated through the use of financial engineering. For the first time the definition of financial engineering was suggested by J. Finnerty. Financial engineering comprises the design, development and implementation of innovative financial instruments and processes, as well as finding new creative approaches to solving problems in finance [1]. This definition reveals the deep essence of the concept of combinatory of financial instruments.

Based on the foregoing, using scientific developments of J. F. Marshall and Vykul K. Bansal [2], we summarized fundamental differences between the package sales and financial engineering in Table 1:

Thus, financial engineering is fundamentally a different concept than the services package sale of financial institutions. Combinatory comes out of the customer's needs, and the package sales out of products and packages. Financial engineering is a quantum leap of the economic theory and the practical aspect of its application. This is the next step in the financial analysis that answers the question what to do to address the specific problems of the economic agent. Therefore, packaging can only be considered as one of the stages or instruments of financial engineering – physical.

Table 1. Comparison of financial engineering and financial services package sale

	Comparison parameter	Financial engineering	Financial services package sale
1	Innovation	Creation of new products and services of financial relations. Combination of existing instruments in such creative combinations that have not been previously used	Combination of existing services of financial institutions at various levels of packaging.
2	Amount of output products	Limited	A wide range
3	The main goal of combinatory	Solving financial problems of separate economic agents	Solving the problem of a financial institution to ensure the optimization of sales of the existing services
4	Replication of developments	Exceptional case, when creating such a tool that meets the needs of a significant part of the market of financial relations	Mass
5	Customer	The economic agent (consumer of financial services)	The object of the market (the one, who provides financial services)
6	Product developer	Financial engineers	The team of financial analysts and marketing experts
7	Promotion	Doesn't require. An appropriate agreement between the developer and the customer shall be concluded	According to the marketing strategy of sales
8	Customer segment	VIP	Is not suitable for large corporate and VIP-customers. They need customized solutions.
9	Place of creation	Investment banks, specific intermediaries	Any financial institutions
10	Used means	Conceptual means (theory of evaluation of securities portfolio, hedging, etc.); physical means (financial instruments); processing (arbitration, synthetic instruments, mergers and acquisitions)	Mostly physical means

Source: made by author

From all above it is possible to draw the following conclusions:

- packing services can be defined at four levels: inner productive; inter productive; inter institutional and at the level of self-servicing;
- the package offer is formed with regard to the needs of a focus group or segment;
- with a successful packaging the financial institution can significantly reduce the central product price in the package;
- there are at least ten comparison parameter of financial engineering and financial services package sale, which determine the packaging can only be considered as one of the stages or instruments of financial engineering – physical.

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