

Research on Precision Marketing Strategies of Chinese Commercial Banks under the Background of Internet Finance

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Abstract. With the rapid rise of Internet finance, China's commercial banks are entering a new era full of challenges and opportunities. This paper makes an in-depth analysis of the current market environment of commercial banks, and systematically evaluates the core advantages, weaknesses to be solved, potential development opportunities and severe threats of banks in the context of Internet finance with the help of a comprehensive SWOT analysis. Based on the detailed analysis results, this paper further introduced the 4p marketing framework and created a series of targeted and effective marketing strategies for commercial banks. In terms of pricing strategy, banks need to implement more flexible pricing models to stabilize and enhance their competitive position in the fierce market competition. At the distribution level, it is necessary to integrate online and offline channel resources and strive to create a seamless omni-channel service network. As for promotion, it is recommended to vigorously promote data-driven precision marketing strategies, and strive to improve customer experience at the same time, but also effectively enhance the brand's market awareness and influence.

Keywords: Internet finance, commercial bank, SWOT, 4Ps, digital transformation.

1. Introduction

In recent years, the rapid advancement of the Internet and mobile technology has led to the emergence and swift societal penetration of Internet finance, fundamentally reshaping the financial landscape within a short timeframe. This technological revolution has not only facilitated global economic integration but also catalyzed the digital transformation of the financial industry. Innovative models such as third-party payment systems, peer-to-peer (P2P) lending, crowdfunding, and big data finance have significantly altered consumer financial behaviors and demands. Consequently, digital finance presents both unprecedented opportunities and pressing challenges for commercial banks. To adapt effectively, these institutions must reassess and refine their marketing strategies, as traditional approaches are increasingly insufficient in the face of evolving consumer behaviors, intensified competition, and rapid technological advancements.

As FinTech continues to develop, traditional banking functions, particularly in payments and financing, are increasingly marginalized. For instance, many consumers now favor mobile payment methods over conventional bank cards, while small- and medium-sized enterprises (SMEs) and individual entrepreneurs with modest financing needs often prefer P2P platforms over traditional bank loans. Additionally, commercial banks face customer attrition risks due to the ability of Internet financial companies to leverage advanced data analytics, offering services that are more flexible and convenient. Consequently, commercial banks often exhibit deficiencies such as limited integration capabilities and sluggish development in business and service offerings, hindered by both internal and external systemic constraints [1].

Despite these challenges, digital transformation offers promising avenues for growth in the banking sector. Emerging technologies, such as FinTech and big data analytics, enable commercial banks to enhance customer experience, optimize risk management, and expand market reach. Through strategic collaborations with technology firms, banks can harness technological advancements to rapidly develop digital platforms and scale up their online services. Moreover, leveraging big data analytics allows banks to gain deeper insights into customer needs, enabling the

creation of products and services that better align with consumer preferences, thereby fostering improved customer satisfaction and enhanced market competitiveness.

In summary, the rapid evolution of Internet finance necessitates that commercial banks accelerate their digital transformation to keep pace with the shifting market landscape. A strategic and well-defined response is essential, incorporating financial technology and data analytics to address existing challenges. This paper employs the SWOT model to assess the competitive strengths and weaknesses, as well as the opportunities and threats faced by commercial banks within the Internet finance context. Additionally, it explores how banks can enhance product design, adapt pricing structures, expand distribution channels, and innovate promotional strategies using the 4Ps marketing framework. In doing so, this study aims to identify strategies that commercial banks can adopt to strengthen their competitiveness and increase market share in the digital era.

2. Analysis of Commercial Banks Based on Swot Model Theory

2.1. Strengths

The core function of commercial banks is to serve as credit intermediaries [2]. Firstly, they consolidate idle funds through financial instruments like deposits, loans, and notes, thereby providing essential financial support for economic activities. With a broad customer base and an extensive branch network, commercial banks can attract low-cost deposits from individuals and businesses, effectively allocating these funds across various sectors of the economy to drive production growth and capital turnover. This process not only mobilizes capital financing but also maintains the stability of the social and economic order.

Through years of development, commercial banks have built substantial capital reserves and strong reputations, enabling them to offer comprehensive financial services. Compared to Internet financial platforms, commercial banks benefit from mature risk management systems and extensive compliance experience. By diversifying loan portfolios and designing financial products to spread risk, commercial banks can protect customer funds and maintain market stability. In an environment of increasingly stringent financial regulations, these advantages make commercial banks particularly well-positioned.

2.2. Weakness

Compared to the flexible structure of Internet finance, commercial banks often face rigid internal systems and relatively weak capabilities in innovation and digital analytics, making it challenging for them to respond quickly to market changes. Additionally, strict internal compliance requirements place substantial restrictions on banks' ability to innovate, resulting in slower progress in business and service development. Consequently, these limitations have placed traditional commercial banks at a disadvantage when competing with Internet financial enterprises.

The high operating costs of commercial banks represent a long-standing structural challenge, primarily due to their extensive offline branch networks and large workforce. The traditional service model of commercial banks relies on physical branches, whose construction and maintenance require significant investments in fixed assets, as well as substantial human resources to support daily operations and customer service. Every aspect of this process, from bank management to front-line customer service, is labor-intensive, which drives up overall operating costs. This high-cost structure limits commercial banks' ability to rapidly expand into new business areas. In innovative business sectors that require quick responses to market demand, such as mobile payments, robo-advisors, and online lending, commercial banks often struggle due to operational costs, making it difficult to reallocate resources swiftly and leading to missed market opportunities.

In contrast, Internet financial platforms generally adopt an asset-light operational model, relying on technologies such as cloud computing and big data [3], which allow them to require minimal physical presence and provide a streamlined workforce. This approach enables them to achieve high levels of information integration, efficiency, and streamlined management [4]. This asset-light model

grants Internet financial platforms a substantial competitive advantage in terms of profitability and scalability. In comparison, the high operating costs of commercial banks not only erode profitability but also weaken their pricing power in the competitive market. Banks often need to maintain high fee rates to cover costs when offering similar services, which may render them uncompetitive, particularly among price-sensitive customer segments.

2.3. Opportunities

Supported by national policies and technological advancements, Internet finance companies have gained a competitive edge over commercial banks in certain areas of the third-party payment sector. While the disparity between the two is modest in small online payments and settlements, customers still tend to trust the secure payment and settlement systems of commercial banks for offline deposits, withdrawals, and high-value transactions, where safety is a top priority.

Commercial banks possess stable and secure settlement systems, providing a foundation for digital expansion. The proliferation of the Internet and the widespread use of smartphones have driven an explosive growth in demand for online services. Commercial banks can expand their market share by accelerating digital transformation, promoting mobile payment options, engaging in the development of digital currencies, and broadening their online lending services. These strategies have the potential to attract new customer segments, diversify business operations, and support long-term growth.

Additionally, commercial banks have a strong advantage in digital transformation, which presents substantial development opportunities. By incorporating technologies such as fintech and big data analytics, banks can make significant advances in customer experience, risk management, and market reach. Through partnerships with technology firms, banks can harness specialized expertise to swiftly build digital platforms, enhance operational intelligence, and facilitate the rapid growth of online services. The use of fintech and data analytics allows banks to refine customer service precision, gain deeper insights into customer preferences, and develop products that better meet those needs, thereby improving customer satisfaction and strengthening market competitiveness.

Furthermore, the rise of open banking and collaboration with fintech companies offers commercial banks additional opportunities to explore new business models and tap into emerging markets. By leveraging their stable and secure settlement systems and advancing their digital capabilities, commercial banks are well-positioned to adapt and thrive in the evolving financial landscape.

2.4. Threats

Online financial platforms have leveraged technological advantages and extensive data collection to capture significant market share from traditional commercial banks in areas such as payments and lending. As a result, traditional banks face increasing competition and threats in retaining these customer segments.

Firstly, regulatory challenges further constrain commercial banks, as compliance requirements limit their flexibility to innovate. While regulatory adherence is essential for sustainable operations, it can slow down the introduction of new products and services. In contrast, Internet financial platforms often operate with fewer regulatory constraints, which can introduce financial risks, such as over-reliance on algorithms for loan approvals. To address these issues, regulators have intensified oversight of fintech, increasing compliance demands on both traditional banks and online platforms, thus impacting banks' agility in the market [5].

Secondly, due to the popularity of internet financial platforms, consumers' choices of financial services are very diverse, which therefore leads to a decline in customer loyalty. Internet platforms attract younger customers by simplifying service processes and optimizing the user experience. For example, users can complete transactions, such as payments and loan applications, within minutes via mobile apps, without visiting a bank branch. Additionally, these platforms use big data to offer personalized recommendations, fostering a sense of convenience and familiarity that draws customers away from traditional banks. Consequently, commercial banks must enhance digitalization, improve

user experience, and offer tailored products to retain customer trust and loyalty in a competitive market.

Thirdly, the acceleration of digital transformation has elevated cybersecurity concerns for commercial banks. As these institutions hold vast amounts of sensitive customer data, such as personal details, transaction records, and account data, they are increasingly targeted by cyber-attacks, which can result in reputational damage and legal liabilities. Cyber-attacks may also paralyze payment and account management systems, disrupt customer transactions, and result in financial losses. To mitigate these risks, banks must prioritize cybersecurity by investing in advanced encryption technologies, multi-factor authentication, and risk monitoring systems [6]. Additionally, banks should establish robust emergency response mechanisms to handle potential cyber threats and safeguard customer relationships.

In summary, commercial banks face numerous challenges, including cybersecurity threats, declining customer loyalty, increased regulatory scrutiny, and competition from online financial platforms. To thrive in a competitive market, commercial banks must proactively address these challenges by advancing digital transformation, enhancing customer experience, and improving compliance management for sustainable growth.

3. Marketing Tool -- 4Ps

3.1. Product

In the context of Internet finance, consumer demand has become increasingly diversified. Consequently, commercial banks have expanded beyond traditional deposit, loan, and wealth management products, integrating digital technology to deliver more personalized financial services. Precision marketing focuses on offering customized products and services based on individual customer needs.

Through digital technology, commercial banks can provide services such as online loans, smart wealth management, mobile payments, and remote account opening, allowing customers to conduct transactions anytime, anywhere. These services should feature user-friendly interfaces and efficient processes to enhance customer experience. Leveraging data analysis, banks can optimize product design to cater to various customer segments by developing flexible financial products and loan programs that offer tailored investment advice.

As customers grow increasingly concerned with data privacy, digital products must incorporate robust risk management and security measures, employing advanced encryption and identity verification to safeguard customer information and funds, thus fostering user trust.

Commercial banks are increasingly utilizing big data analytics and artificial intelligence to offer personalized financial services, such as customized financial advice, credit card recommendations, and insurance products based on transaction histories, personal preferences, and spending patterns. Effective market and product positioning are crucial for marketing success, necessitating adjustments based on specific market demands. For instance, in retail banking, banks can enhance mobile banking by centering the experience around the customer, thereby improving user engagement and support.

Banks should also adopt a hierarchical approach to customer management, enhancing service quality, integrating resources, and promoting a large-scale business model. Mobile banking and other mobile Internet platforms enable remote service capabilities and improved operational efficiency. For institutional clients, banks need to implement refined management strategies, addressing financial settlement, wealth management, and other needs specific to key groups, such as financial institutions and social organizations.

Overall, precise product positioning significantly impacts marketing effectiveness. Based on their market position, commercial banks should utilize big data and advanced technologies to integrate resources and develop more targeted marketing strategies.

3.2. Price

To enhance price competitiveness, commercial banks must reassess their pricing strategies in response to competition from online financial institutions. By adopting flexible pricing approaches, banks can offer diverse rates and fee structures tailored to various customer segments [7]. For instance, providing low-interest loans to young customers and small and medium-sized enterprises can help attract and retain these groups. Banks can implement differentiated interest rates, fees, and service charges based on individual customer needs and behavioral analysis. Additionally, they can develop profitable reward programs and targeted promotions for specific consumer groups [8]. For high-net-worth clients, customized financial solutions and preferential interest rate policies can stimulate interest in banking products and services, thereby attracting a higher caliber of clientele. Furthermore, commercial banks should leverage big data technology to analyze market and competitor price trends. This enables timely adjustments to be pricing strategies, allowing banks to better align with market demand and optimize revenue generation.

3.3. Place

Digital commercial banks must utilize a diverse array of service channels, as Internet finance has substantially broadened their marketing avenues. In addition to physical branches, commercial banks can expand their online distribution networks and deliver omnichannel services. By developing online wealth management platforms, mobile banking applications, and other digital channels, banks can better target their customer base, foster user engagement, and provide personalized service information. This approach not only enables more convenient service delivery but also extends business coverage.

Integrating online and offline strategies allows customers to enjoy a seamless omni-channel service experience. For instance, banks can promote online platforms while leveraging the advantages of physical branches. Moreover, big data analytics can be employed to accurately assess client needs, facilitating the provision of tailored services and product recommendations at optimal times. Enhancing the online user experience with AI-driven customer support, speech recognition, and other technologies further refine service delivery and strengthen customer satisfaction.

3.4. Promotion

Banks can tailor their advertising and promotions for suitable financial products based on the requirements, interests, and consumption patterns of their consumers by using big data analysis. For instance, based on a user's past consumption, certain credit card promos or loan interest rate offers are made. Banks can increase their brand awareness and influence by using social media platforms for interaction, content marketing, Netflix promotion, financial information publicity, and other innovative marketing techniques. Meanwhile, banks may pinpoint target client groups more precisely using big data analysis. The measurable impact of promotion is a key component of precision marketing. Banks can use data analysis to monitor the impact of each promotion in real-time and modify their tactics in response to the feedback.

Commercial banks can increase user stickiness by rewarding customers for referring new customers or sharing their financial experiences. They can also increase word-of-mouth publicity by improving customer experience and building loyal customer bases [9]. By offering membership services, commercial banks can further improve the relationship between their clients and themselves by encouraging clients to use the bank's services more frequently. Commercial banks should prioritize client feedback and satisfaction surveys in the meantime to improve client loyalty via proactive customer relationship management [10].

4. Conclusion

Amid the rapid growth of Internet finance, the traditional operational model of Chinese commercial banks faces significant challenges, while simultaneously encountering substantial

opportunities for innovation. Through SWOT model analysis, commercial banks must leverage their strengths in resources, technology, and brand reputation, while proactively addressing limitations such as lagging innovation and high operational costs. By capitalizing on the rise of Internet finance, banks can seize new market opportunities through technological partnerships and data-driven strategies. However, the competitive pressure from Internet financial platforms, coupled with an increasingly stringent regulatory landscape, presents ongoing threats to their stability.

Guided by the 4Ps marketing framework, commercial banks should adapt their marketing strategies across multiple dimensions to better respond to evolving market demands. First, banks should expand their portfolio of digital financial products and enhance the personalization of their services. Second, they should adopt flexible pricing models to appeal to diverse customer segments. Third, accelerating the integration of online and offline channels will enable banks to offer a seamless omnichannel experience. Lastly, by harnessing big data technology, banks can conduct precise promotional activities, thereby strengthening brand influence and fostering customer loyalty.

In summary, through effective precision marketing strategies, commercial banks can bolster their competitive positioning and attain sustainable, long-term development within the evolving Internet finance landscape.

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