

# Strategies and pros and cons of financial marketing by Bank of China- A brief analysis of the promotion process of the digital renminbi

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**Abstract.** In response to national policies, Chinese banks have strongly promoted the use of the digital renminbi, employing various financial marketing tactics in the process, and have achieved remarkable results, but there are still some minor downsides.

**Keywords:** Chinese banks, digital renminbi, financial marketing, pros and cons.

## 1. Introduction

I am a postgraduate student of the 2021 grade. In the first half of this year, I was completing my internship task for the social practice module required by the school. I chose the Houzhaimen Branch of Bank of China as the site for my first stage of internship, and did my internship in the marketing and wealth management departments there from January to April 2023.

The time period of my internship coincided with the second stage of the national push for trial use of the digital renminbi (the first stage was in cities like Suzhou, the second stage covered the whole Jiangsu province, and Bank of China was one of the trial banks). As one of the main contents of my internship, I fully witnessed the various means and measures adopted by Bank of China to promote the digital renminbi during my internship. Many of these resonated with what I had learned in Professor Chen Lian's financial marketing course.

As a wallet for ordinary people, the digitally-issued renminbi should be more upright and legitimate with state backing compared to WeChat Pay, Alipay, etc. But because it did not have first-mover advantage, promotion was still very difficult initially, and many ordinary people were skeptical about whether it could really make daily life payments more convenient. In this age of shrinking distances, traditional marketing ideas like "fine wine does not fear deep alleys" are bound to fail. Appropriate financial marketing tactics are very necessary - the digital renminbi can only be truly promoted when enough ordinary people use it. And this process is still ongoing with an arduous journey ahead.

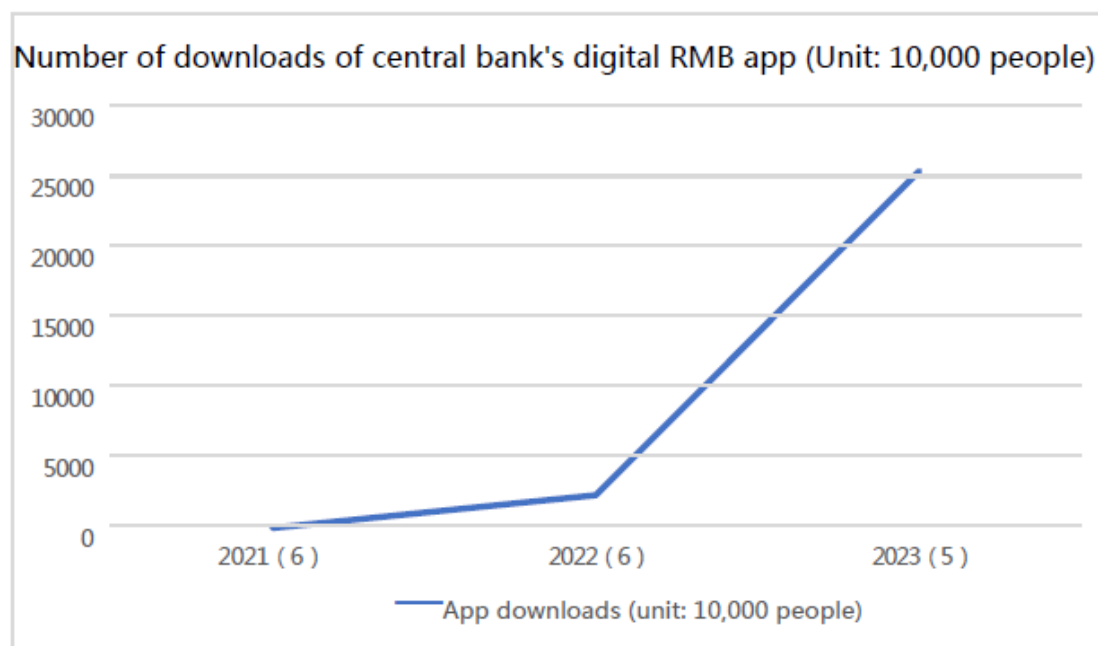
## 2. Literature Review

### 2.1. Concept of Digital Renminbi

Digital renminbi refers to a form of electronic currency issued by the Central Bank of China, also known as "Central Bank Digital Currency (CBDC)". It is a digitalized form of the renminbi implemented through blockchain and other technological means. Compared to traditional paper money, digital renminbi enables new functions like contactless payments and smart contracts, making transactions more convenient, efficient and secure. At the same time, digital renminbi can also improve financial regulatory efficiency and reduce the frequency of criminal activities like money laundering. Digital renminbi is currently still in a pilot stage, but has already been launched for testing in multiple cities and regions.

As the table below clearly shows, the number of digital renminbi users has almost increased tenfold annually, with 261 million users now. Regardless of whether there are "zombie users" among them, the steps of digital renminbi seem unstoppable.

**Table 1.** Number of downloads of central bank's digital RMB app



## 2.2. Introduction to Bank of China

Bank of China is one of the four major state-owned commercial banks in China. Founded in 1912, it has a long history and plays an important role in China's financial industry.

Headquartered in Beijing, Bank of China provides comprehensive financial services to customers through its nationwide network in China as well as overseas branches. Its business scope includes commercial banking, investment banking, insurance, asset management, aircraft leasing and other areas.

As a large state-owned bank, Bank of China implements national strategies and policies. It serves the real economy, follows high standards of corporate governance, prudential regulation and risk management. Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, Bank of China continues to develop into a world-class bank in the new era.

Currently, Bank of China has around RMB 10 trillion in total assets. It has over 10,000 branches and outlets globally and serves hundreds of millions of personal and corporate customers. With over 310,000 employees from diverse backgrounds, Bank of China aims to provide excellent financial services and solutions to boost economic and social development.

## 2.3. The Necessity of Promoting the Digital Renminbi

The importance and necessity of promoting the digital renminbi is reflected in the following aspects:

1. Advancing financial technology innovation: The digital renminbi is developed based on cutting-edge technologies like blockchain. Its promotion can facilitate fintech innovation and seize first-mover advantage in the digital economy era.

2. Strengthening the effectiveness of monetary policy tools: Digital renminbi can enhance the flexibility, precision and operability of monetary policy tools to better serve the real economy.

3. Improving payment security and convenience: The digital renminbi adopts various advanced security technologies, featuring anti-counterfeiting, tamper-proofing, anonymity etc., providing higher security and convenience in payments.

4. Promoting financial inclusion: Digital renminbi can reduce payment costs, expand the coverage and accessibility of financial services, allowing more people to enjoy financial services and promoting financial inclusion.

5. Advancing internationalization: Promoting the digital renminbi can accelerate RMB internationalization, increasing its global usage and influence.

In summary, promoting the digital renminbi is of great importance and necessity for the development of Chinese banks and the entire Chinese financial system. It can improve financial service quality, boost economic growth, drive financial inclusion and speed up RMB internationalization.

## 2.4. Commonly Used Financial Marketing Strategies in The Banking System

Here are some common marketing strategies used in the banking system (from internal bank reports):

1. Launching new products: Introducing various new products such as credit cards, investment/wealth management products, etc. to attract customers.

2. Promotional activities: Holding promotional events like sign-up gifts, cash rebates on spending, etc. to incentivize customer consumption.

3. Special interest rates: Offering customers special interest rates such as on deposits, loans, etc.

4. Co-branded marketing: Partnering with merchants to launch co-branded credit cards, attracting more customers.

5. Customer care: Maintaining contact with customers via SMS, calls, emails, etc. and providing personalized services and consultation.

6. Online marketing: Conducting online marketing activities via internet channels like WeChat, Alipay to reach more customers.

## 3. Specific Case and Analysis

### 3.1. Internship Experience

The unit where I interned was the Houzhaimen Branch of Bank of China. It is located in the old town area of Nanjing, mainly serving middle-aged and elderly customers, most of whom have large deposits (referring to over 200,000 RMB) at the bank. The means adopted by the Houzhaimen Branch of Bank of China to promote digital RMB were not very different from the above, but rather some specific modifications.

Firstly, the head office assigned tasks to the branch president, the specific requirements of which I was unaware, and only learned from my colleagues that the president also had targets for digital RMB. The president then delegated the work of promoting digital RMB to the banking hall managers and assistants. Currently there are two banking hall managers and one assistant at the Houzhaimen Branch. The specific requirement is that the banking hall manager on duty each working day needs to develop 16 new users of the digital RMB APP, with bonuses or penalties imposed at the end of the month based on the number of days the target was met.

So how to develop these 16 people? During my internship, my colleague's approach was to stop every customer who came in to do business, and persuade them to download the digital RMB APP using rather suggestive language, such as "May I ask what business you are here to do today? Oh, making a deposit? Then download the digital RMB APP first." This links two completely unrelated things, misleading customers into thinking downloading the APP is a necessary step. Although it seems to deviate somewhat from the true spirit of the service industry, the results were remarkable, with the performance target achieved almost every day.

In addition, Bank of China also made efforts in other aspects. It is undeniable that the banking system has one of the most comprehensive and powerful big data collection capabilities, second only to the public security system, given almost everyone has a bank card. The bank screens customers with relatively frequent deposit/withdrawal transactions, contacting them via text messages or calls to recommend using the digital RMB APP. Because bank deposits/withdrawals have a daily limit of 10,000 or 200,000 yuan (differentiated between Class B and Class A cards), but the digital RMB APP is not subject to this restriction, many customers contacted will download the APP for contingency needs.

At the same time, appropriate incentive policies are indispensable. Currently, the policy I know is that all customers who download the digital RMB APP and bind it to their Bank of China bank card will receive an extra 20 yuan transferred when they first transfer from their Bank of China bank card to the digital RMB APP. That is, if you charge 1 yuan through your Bank of China bank card, you can actually get 21 yuan in your digital RMB balance. On my first day working at the bank, I took advantage of this to get a free beef covered noodle bowl through the digital RMB APP, which can be considered "extra pay". Also, after binding to the Bank of China bank card, a total of 80 yuan in WeChat red envelopes can be obtained over four months of continuous usage. This is very appealing to many college students and young people just entering the workforce. I've seen a college student who could not receive the red envelope due to his registered residence being outside the province, and he spent over two hours on site with us before he finally got the 80 yuan red envelope, but he was still very satisfied.

In addition, Bank of China has also collaborated with many other institutions. For example, Nanjing Sport Institute has established a long-term partnership with Bank of China. From this year onwards, their graduate student subsidies and some financial aid will be disbursed to their digital RMB wallets through Bank of China. Some corporate salaries will also be directly paid out through digital RMB wallets. Purchases at the corporate fresh market using digital RMB will enjoy preferential policies.

### **3.2. Analysis of Strategies Involved**

#### **3.2.1 Employee Performance Indicators and Salary Incentives**

Firstly, as mentioned in the first paragraph, each employee is subject to rigid indicator targets, which are directly linked to their salary.

The benefits of this strategy are obvious - it directly increases the number of digital RMB account openings. According to statistics, since the provincial pilot launch, a total of 4.385 million personal wallets and 374,000 corporate wallets have been opened; 256,000 new merchants have been onboarded, with cumulative transaction volume reaching 19.91 billion RMB. The benefits can be summarized as follows:

1. Clear goals: Setting performance indicators allows employees to clearly understand what goals they should achieve, thus making their tasks and responsibilities more definite.

2. Motivating employees: With specific performance benchmarks, employees are more motivated to complete tasks and perform well. This can also help companies improve employee morale and cohesion.

3. Measuring performance: Performance indicators can not only help employees assess their own work, but also help management evaluate employees' job performance, and ultimately take corresponding reward and punishment measures.

4. Improving efficiency: By setting reasonable performance indicators, employees can be encouraged to complete more work within the specified time. This can also increase corporate productivity and profitability.

The downsides of this strategy are also clearly visible. When anything is linked to performance and money, it becomes utilitarian and unable to maintain its original ideals fully. Taking the example above - many times I felt my moral bottom line was being challenged when my colleagues "tricked" some elderly people into downloading the digital RMB APP, and I felt uneasy conscience-wise. I know clearly these seniors don't even know how to use Alipay or WeChat, let alone the still under-developed digital RMB. And some customers after finishing the whole process might ask "What does this APP have to do with the business I'm here to do?" When they find out there is no relation, customers could become dissatisfied with the banking hall service and we may lose some customers in the future. But these tasks were delegated down the leadership hierarchy layer-by-layer, so they have to be completed, even if the process is not very honorable. The downsides can also be summarized as follows:

1. Narrow vision: Employees may focus too much on their own performance metrics and neglect other important factors and tasks. This can lead to employees not being comprehensive or systematic enough in accomplishing work, thus impacting the company's long-term development.

2. Formalism: If performance indicators are designed unreasonably or implemented improperly, issues like formalism can arise, where employees just work to meet the metrics rather than truly caring about customer needs, product quality and other real work content.

3. Unfairness: If there are flaws in setting performance benchmarks, some employees may be unable to meet the metrics due to various reasons, while others easily achieve goals due to background, resources etc., thus leading to a sense of unfairness.

4. Inducing vicious competition: If employees engage in intense competition just to meet indicators, it can reduce their spirit of cooperation, and even lead to unhealthy behaviors like rivalry and vilification.

### 3.2.2 Using Big Data to Find Potential Customers

Using big data to find suitable target groups for digital RMB is very clever in my opinion, because currently, not everyone needs digital RMB, and not everyone knows how it can benefit them. Once you have a precise understanding of customer needs, it becomes easy to organize sales pitches during promotion, and also ensures higher success rates. The benefits can be summarized as:

1. More precise target audience: Through big data analysis, potential customers can be understood more comprehensively and thoroughly, identifying their characteristics and needs, thus enabling more accurate audience targeting. This helps increase marketing efficiency and reduce costs.

2. More effective marketing strategies: Big data analysis can help banks understand customers' consumption preferences, behavior patterns and investment intentions, thereby formulating more targeted marketing strategies. This will help drive product sales and increase customer satisfaction and loyalty.

3. Improved risk control capabilities: Through big data analysis, banks can better monitor and assess customers' credit risks, predict future market trends and changes, and take corresponding safeguard measures to reduce operational risks.

4. Enhanced service experience: With big data technology, banks can obtain customer feedback in real time, promptly optimize their own products and services, and improve customer service quality.

However, in this era where people are subconsciously reluctant to lay themselves bare online, this approach that is difficult to explicitly acknowledge also has some downsides:

1. Infringing on customer privacy: Customer private information may be involved during big data analysis, which could lead to privacy leaks if not adequately authorized and protected.

2. Data security risks: Big data technology requires banks to store huge amounts of data, which introduces data security risks. If the bank's data is leaked, lost or hacked, it can impact financial security of both the bank and customers.

3. Lack of human judgment: Although big data can help banks better understand customers, it cannot completely replace human judgment and decision making, sometimes leading to misjudgments or wrong decisions.

### 3.2.3 Distributing Cash Red Envelopes

Pinduoduo has already proved with practical actions that this simple and crude tactic is effective. In the past, everyone thought that the duopoly pattern of Taobao and JD had taken shape, and there was no other product that could become the third giant. However, Pinduoduo used one billion yuan in cash coupons in one year, and forcibly took a big piece of the cake, achieving the current situation of triangular competition. The current status of the Digital RMB app is akin to this example. Similarly, Alipay and WeChat Pay have occupied the first mover advantage, and many people have formed fixed usage habits and no longer want to use new payment methods. How to let more ordinary people use digital RMB in their lives, I think cash coupons are appropriate. Besides, we are distributing a total of 80 yuan in cash coupons over four continuous months to ensure that users who want to get all

the coupons will have at least one digital RMB expense each month within the four months. The advantages can be summarized as follows:

1. Raise awareness of digital RMB: By distributing cash coupons, more people can get in touch with and understand digital RMB. This will help raise awareness and recognition of digital RMB and promote its adoption and popularization.

2. Stimulate consumption demand: Cash coupons can also be used as shopping discount activities to attract consumers to spend. This will help stimulate consumption demand and promote economic development.

3. Enhance user stickiness: Cash coupons can attract more users to use digital RMB for payments, thereby enhancing user stickiness and increasing usage of digital RMB. At the same time, digital RMB has advantages such as circulation and convenience, which will further enhance user experience and satisfaction.

However, what are the drawbacks? According to the "Digital RMB Usage and Promotion Research Report", in terms of digital RMB usage frequency, only 11.5% of people use it daily, 12.6% use it weekly, 20% use it monthly, 15.4% stopped using it after using it once, and 40.5% of people have never used digital RMB. In terms of usage motivation, 54.1% of people only used digital RMB because of coupons and consumption vouchers. Coupons can bring digital RMB into people's lives in the short term, but how to retain it, take root and blossom - to quench both short-term and long-term thirst, the road is still long.

In summary:

1. Can lead to unnecessary consumption: To get cash coupons, some users may engage in unnecessary or excessive consumption, resulting in waste of resources and environmental issues, and may also affect personal financial security.

2. Safety issues: The distribution and redemption process of cash coupons may expose information leakage, account theft and other risks. If the security of the digital RMB system is not guaranteed, promoting the use of cash coupons may exacerbate safety risks.

3. Lack of long-term effects: Although cash coupon promotion can increase digital RMB usage and awareness in the short term, it cannot solve the fundamental problems facing digital RMB such as user trust and technology adoption. Therefore, purely relying on cash coupons for promotion may only be a short-term strategy and is difficult to achieve long-term effects.

### 3.2.4 Collaborating with other institutions

The two days of promoting the digital RMB at Nanjing Sports Institute were the least resistant I encountered in my work process. Young people's acceptance of new things far exceeds that of middle-aged and elderly people. By the way, especially freshmen, they are quite obedient, which is quite interesting. The benefits are summarized as follows:

1. Expand the customer base: Through the promotion of the digital RMB, enterprises and banks can attract more customers, especially the younger generation and consumers with a higher degree of digitalization, to expand the market share.

2. Promote consumption: The digital RMB has programmability, which can realize discounts and incentives for specific users or scenarios, enhance users' consumption intentions and corporate income. Moreover, studies have shown that for the same amount of money, when it exists in the form of digital currency, consumers have a stronger desire to consume.

3. Promote the development of the digital economy: The digital RMB is an important part of the digital economy. The cooperation between banks and enterprises to promote the digital RMB can promote the development of the digital economy and promote innovation and upgrading in the fields of payment and fintech.

4. Enrich the brand image: Cooperation with major institutions can effectively improve the brand awareness of the Bank of China, and long-term exposure to the public can last.

In my opinion, this kind of cooperation has fewer disadvantages. Here are a few simple points:

1. Legal uncertainty: The digital RMB is currently in the pilot stage, and the relevant regulatory rules and policies are not perfect. Enterprises and individuals need to comply with relevant laws and

regulations when using the digital RMB to pay salaries, otherwise they may face legal risks and penalties.

2. Low user acceptance: As a new payment method, the acceptance and recognition of the digital RMB by users is low. It requires a certain amount of time and resources to promote and popularize, which will also increase certain costs and risks.

3. Competitive pressure: The promotion of digital RMB by banks and enterprises in cooperation may also face pressure and challenges from other competitors, such as Alipay and WeChat Pay, which have already occupied a large market share.

#### 4. Conclusion and Outlook

Bank of China has achieved encouraging results in promoting digital RMB by formulating appropriate and reasonable financial marketing strategies. But at the same time, it must also clearly identify potential risks and threats that may exist in various strategies and prevent them before they happen. Stay alert so that financial opportunities do not turn into public relations crises.

Regarding the prospects of digital RMB, the vast majority of experts are optimistic, believing that it is destined to become the mainstream payment method in Chinese society in the future. Therefore, I think whoever can "master" digital RMB faster, whoever can take the lead in the time to come, be it individual investors or banking enterprises.

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