

HOW TO INCREASE CURRENT AND SAVINGS ACCOUNTS IN INDONESIAN BANK (CASE STUDY AT BRANCH X OF BANK ABC)

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ABSTRACT: *Branch X took place in Region IV of the Industrial Estates of Jabodetabek. Its strategic position made it one of the flagship branches. Low-cost funds, namely current and savings accounts, became two significant parameters to see an overall increase in market share in the area of Jakarta Industrial Estate Pulogadung. At the time, Branch X had not achieved the targets set by management. Therefore, the branch should improve because Management wanted growth at 18% in the next five years, averagely. This study aimed to identify external and internal factors that influence and then formulate several alternative strategies through the IE Matrix. The results of the matrix showed that Branch X's position was in quadrant V, so the strategy that must be taken was 'hold and maintain', namely market penetration and product development. Product development cannot be done at the Branch level, but rather must be at the Head Office. As a result, several alternative market penetration options were also in line with the tools that have been given by Management in '12 Sources of Current and Savings Accounts in Region IV'.*

KEY WORDS: Porter's Five Forces, EFE Matrix, IFE Matrix, IE Matrix, QSPM, Banking

INTRODUCTION

The end of 2015 to 2018 was a period of challenge for Indonesia, where various domestic and international issues continued to haunt its economic performance which tended to slow down. Financial institutions such as banks also experienced the same conditions, reflected in Capital Adequacy Ratio (CAR) in June 2016, which amounted to 8.89% on an annual basis, or only increased by 2.72% in the current year, while the Gross Non-Performing Loan (NPL) was improved, which was originally at 3.11% in May 2016, to 3.05%. The slowing credit growth and TPF was an indicator of the crisis.

Indonesian Banking Statistics showed that banks with the highest value of assets in Indonesia, namely Bank ABC and Bank BRI, had the largest market shares, which were 15.08% and 14.41%, respectively. The top 10 banks in Indonesia controlled 64.88% of the market share in Indonesia, as shown in Table 1.

Table 1. Top 10 Banks by assets

No	Bank Name	Assets (Billion Rp)
1	BRI	964
2	ABC	918.2
3	BCA	662.6
4	BNI	564.8
5	CIMB Niaga	237
6	BTN	214.2
7	Panin	183.7
8	Permata	155.2
9	Maybank	155
10	Danamon	149.4
Total		1.356

Source: Financial Report and Banking Statistics (Central Bank, 2017)

The size of the total assets and market share owned did not necessarily make Bank ABC have the best growth of low-cost funds. Offering the relatively smaller return and increasing in fee-based income from various transactions, current and savings accounts became the prima donnas of the Bank's products. The composition of both accounts at Bank ABC, BRI, and BCA of the total Third Party Funds (TPF) by 2017 was 64.43%, 56.0, and 74.6%, respectively (ABC Bank's Internal Report, 2017). The growth of low-cost funds from the three banks is present in Table 2.

Table 2. Data on achievement of low-cost funds during 2015-2017

Bank	2015	2016	2017	Net	
				Growth	Percentage
ABC	443.8 T	490.2 T	497.2 T	53.4 T	23.43
BRI	380.6 T	430.7 T	471.7 T	91.1 T	39.98
BCA	360.3 T	426.9 T	443.7 T	83.4 T	36.59

Source: Bank ABC Internal Report, processed (2018)

Branch X, located in Region IV, was found to be the best contributor of Bank ABC's low-cost funds, amounting to 22%-28%, annually. This achievement made the management consider it being potential due to its location in an industrial estate with 357 companies to fund as much as IDR 1.5 trillion. However, the increase in current and savings accounts was not as good as that in the other two branches, which were also both located in the same Region, namely branches of Bekasi Cikarang Jababeka (BCJ) and Bekasi Cibitung (BCG), as seen in Table 3.

Table 3. Data on the Performance of Current and Savings Accounts

Branch	Current and Savings Accounts Target Achievement								Net Growth (pa)	Percentage
	Dec'15	Jun'16	Jul'16	Aug'16	Sep'16	Oct'16	Nov'16	Dec'16		
X	388.730	505.992	396.201	425.476	452.483	425.399	351.069	419.120	30.389	7.25
BCG	631.494	837.788	694.299	715.514	728.525	722.381	788.536	866.073	234.579	27.09
BCJ	529.227	587.017	548.337	563.734	584.755	568.005	598.274	618.315	89.088	14.41

Source: Bank ABC Internal Report, processed (2017)

The above description shows that the achievement of current and savings accounts in Branch X was not in line with management expectations. Based on observations for two months, this condition was caused by, among others:

1. Collaboration between units had not been sustainable so many customers thought that Bank ABC did not have certain services, such as trade services and treasury (private dealers).
2. The branch had not fully mapped the potential in the Industrial Estate.

This research aimed at examining strategies implemented during 2016 and those proposed for the following years to achieve the targets set by management in 2019-2023 with an average growth of low-cost funds per year of 18%. The research began by identifying the problems that led to the failure of achieving the low-cost funding targets, both internal and external factors, formulating alternative and priority strategies for Branch X, and then studying the managerial implications to be carried out.

In connection with problems faced by Branch X, it was necessary to formulate a business strategy that is following the current external-internal conditions of the company and doing prioritisation to achieve conformity with the vision and direction of the Head Office.

LITERATURE REVIEW

Strategic Management

Wheelen and Hunger (2012) argued that strategic management is a set of managerial decisions and actions that determine a company's performance in a certain period. There are three strategic hierarchies, namely 1) Corporate Strategy that describes the overall strategy (grand strategy), 2) Business Strategy that focuses more on strategic decision making that involves product positioning in the market and usually at the division level, and 3) Functional Strategy, which emphasises more on the optimisation of resources with top-down, bottom-up, and interactive approaches.

Strategy Formulation

David (2011) said that the strategy formulation should be carried out in three stages: 1) the Input Stage, to collect and summarise basic information using the IFE - EFE Matrix, 2) the Matching Stage, to formulate alternative strategies by considering internal and external factors that influence, using the IE Matrix, and 3) the Decision Stage, to find out which of the proposed strategies are under company profiles using Quantitative Strategic Planning Matrix (QSPM). The stages in QSPM are as follows:

1. making a list of external opportunities and threats as well as internal strengths and weaknesses (according to the EFE-IFE matrix);
2. weighting each internal and external factor (according to the EFE-IFE matrix);
3. conducting a second stage matrix evaluation by matching and identifying alternative strategies that can be implemented, which are recorded in the top line of QSPM, then conducting an independent set strategy, if possible;
4. determining Attractiveness Score or AS by evaluating each key internal or external factor and given a weight, like 1 = not attractive; 2 = somewhat attractive, 3 = quite attractive, 4 = attractive;
5. calculating Total Attractiveness Score or TAS which indicates the relative attractiveness of each alternative strategy. The higher the total attractiveness score, the more attractive it is; and
6. calculating the sum of Total Attractiveness Score (TAS). The one with the highest TAS is the best strategy to implement.

RESEARCH METHOD

The research was conducted deliberately in Branch X, located in Jakarta Industrial Estate Pulogadung, with the consideration that the company's management was willing to be the object of research. It was carried out for two months starting from September to November 2017. The research used both primary and secondary data. The primary ones were collected through in-depth interviews and the questionnaires distributed to the internal management of Branch X. Focus Group Discussion (FGD) with experts was done to obtain an agreement on a more complex problem. The expert respondents were deliberately selected by the criteria 'Bank ABC practitioners', namely Branch Manager, Branch Operations Manager, Branch Sales Manager, and Micro Mandiri Managers, to obtain more accurate information. The secondary ones were in the form of the company's internal data.

Data processing and analysis are carried out in several stages, namely identifying and evaluating the external (both near and far) and internal environments, to obtain important internal-external factors of

the company by using the IFE-EFE matrix (input stage), combining data of internal and external factors to obtain alternative strategies available using the IE matrix (matching stage), and then (the decision stage) selecting the most appropriate strategy using the Quantitative Strategic Planning Matrix (QSPM) as a priority strategy.

RESEARCH RESULT

Input Stage

This stage aimed to identify and evaluate the near and far external environment as well as the internal one to produce an appropriate alternative input strategy. Identification and evaluation of the near external environment were performed using Porter's Five Forces Matrix to obtain competition rating data in the industrial mineral industries. The evaluation used the Porter's Five Forces model and was concluded by conducting in-depth interviews with experts as in Table 6 below. The results of the analysis were as follows:

1. Bargaining power of suppliers – low: due to the number of supplying companies that offer services in the banking industry whose number of customers is not too high, coupled with management policies to consider 3-4 suppliers for one service.
2. Bargaining power of buyers – high: David (2011) argued that the bargaining power of buyers will be higher if 1) Buyers can move from one supplier to another easily, 2) Buyers feel more important than suppliers, 3) Suppliers find it difficult to meet the desires of buyers, 4) Information on prices and costs between suppliers are available, and 5) Buyers have product purchase discretion. Customer considerations for deciding on transactions actively using a bank's services are its competitive support service rate, quickness and security of transactions, staff's responses to overcome obstacles faced by customers, and how well and precisely the solutions offered to customers' problems. The high ratio of the opened accounts to the closed ones in 2016 that was minus 490 also caused the high bargaining power of buyers. Most of the accounts closed were payroll accounts determined by companies' financial departments.
3. Substitute products or services – Low: Substitute products on the market at the time, in the form of virtual accounts from Fintech and electronic wallets, had not been able to replace the existing features offered by current and savings accounts.
4. Potential new entrants – moderate: Central Bank policy concerning Commercial Banks Business Activities had caused small banks to be unable to match services/rates provided by large banks. However, what should be aware of was the phenomenon of mergers or acquisitions by foreign banks with sufficient capital to provide attractive services/rates in the future.
5. Industry rivalry – high: There were eighteen local and foreign banks in the same location, plus five others that were used by customers but did not yet have branch offices in the Industrial Estate. Besides, the type of dynamic customers made each bank try to provide the most attractive services and rates and give certain gimmicks or reward programs (retention).

Table 6. Near external factors evaluation matrix

Item	Rating				
	Profitable		Threatening		
	VP	P	N	T	VT
1. Bargaining power of suppliers	V	X			
2. Bargaining power of buyers				V	X
3. Threat of substitute products	V	X			
4. Threat of new comers			V	X	
5. Competition in the industry					V X

V: current rating; X: rating for the next 3-5 years; SU: Very Profitable; SA: Very Threatening; N: normal.

Evaluation of the near and far external factors was performed using the EFE Matrix resulting in what shown in Table 7. Weighting and scoring were applied through panel agreement in a Focus Group Discussion (FGD). In the factor ‘Opportunity’, several strategic steps that had been very well carried out by Branch X, especially in numbers 1, 2, and 4, were as follows:

1. To encourage the transfer of funds from companies in Jakarta Industrial Estate Pulogadung, Branch X had taken several approaches, such as offering solution packages for companies by combining several supporting products or services.
2. The number of tenants, as many as 357 companies, consisting of small-to-large companies, made a separate opportunity for Branch X of Bank ABC because of having successfully acquired 161 companies with 20 top players among them.
3. Bank ABC was one of the banks designated as recipients of repatriation funds from tax amnesty.

Out of the 21 banks appointed by the government, nine were in Jakarta Industrial Estate Pulogadung, and only Branch X of Bank ABC received the funds. In the factor ‘threat’, the highest weighting values, according to the internal panel rating, were of the tariff/rate war between banks and difficulties in contacting the people in charge of the companies that were not yet customers, which were of 0.2 and 0.17, respectively. According to the analysis of the authors, the values given by the internal panel were in line with Porter’s Five Forces approach, namely competition in the industry. The captive environment with a large number of banks, besides the policy of multinational companies to use certain banks according to regional/central office directives, had made competition between banks threatening the sustainability of Branch X. However, it had been able to take advantage of opportunities from multinational company policy owners who appointed one local bank for transaction activities. So, going forward, retention is needed so that product holdings increase and the average balance rises slowly.

Table 7. EFE Matrix of Bank ABC, Branch X

Opportunities	Weight	Value	Score
1. Each company had more than one account, making it possible to transfer funds.	0.20	4	0.8
2. There was potential to attract 357 companies in Jakarta Industrial Estate Pulogadung to become tenants.	0.18	4	0.72
3. Most companies allowed their members, at the managerial level, to choose any bank in terms of payroll payments.	0.15	1	0.15
4. Government policies related to tax amnesty.	0.03	4	0.12
Sub Total	0.56		1.79
Threats			
1. Tariff/rate war between banks.	0.2	2	0.4
2. Difficulties in contacting people in charge of companies that are not yet customer.	0.17	1	0.17
3. Internal policy of several multinational companies in selecting certain banks according to the provisions of their regional/central offices.	0.04	3	0.12
4. Many large companies moved out of Jakarta Industrial Estate Pulogadung	0.03	2	0.06
Sub Total	0.44		0.75
TOTAL	1.0		2.54

Evaluation of internal factors was carried out using the IFE Matrix with results shown in Table 8, with a total of 2.67. Branch X was considered quite effective in utilising strengths and overcoming important weaknesses. In terms of the factor 'strength', Branch X of Bank ABC had responded very well, especially to factors 1 and 2, with the following acts:

1. Providing many prize-without-draw or direct prize programs each month, which made customers quite interested in using accounts at Bank ABC. This phenomenon could also be seen in the increase in funds before and during the programs,
2. Providing supporting facilities that were complete and quite easy to use and help customers.

Bank ABC could be their one-stop solution.

As for the factor 'weakness', the highest weight value based on internal panel evaluation was of Human Resources (HR). It was related to the silo culture between work units that made knowledge among employees about products and facilities not evenly distributed. This issue did not only occur in Branch X but also as a national issue. So, even though the total score of the IFE score was 2.67 with the sub-total strength of 1.77 and the sub-total weakness of 0.90, it would be nice if the company tidied up to overcome the weaknesses. Management should focus more on strategies to respond to the weaknesses in question to bring Branch X to a higher level.

Table 8. The IFE Matrix of Branch X

Strengths	Weight	Value	Score
1. Providing prize-without-draw program to attract customers to increase their end-of-month and average daily balance.	0.20	4	0.80
2. Complete transaction support facilities provided by Bank ABC.	0.22	4	0.88
3. Good relationship with the managers of the Industrial Estate.	0.03	3	0.09
Sub Total	0.45		1.77
Weaknesses			
4. Not all employees have good knowledge about products and facilities.	0.20	1	0.20
5. There is a silo mentality between work units.	0.18	2	0.36
6. Most companies use payroll facilities of Branch X only for lower-level employees (operational employees and staff).	0.17	2	0.34
Sub Total	0.55		0.90
TOTAL	1.0		2.67

Matching Stage

The total score generated by the IFE and EFE matrix was considered the basis for building an IE matrix that illustrates the company's current position in several quadrants and alternative strategies available according to the quadrants. The total IFE and EFE scores of 2.67 and 2.54, respectively, positioned Branch X of Bank ABC in area V. The position of PT. XYZ based on the IE Matrix was in the hold and maintain quadrant, as shown in Figure 2. The appropriate alternative business strategies were market penetration and product development (David, 2011). The alternative company business strategies produced by IE Matrix are shown in Figure 1

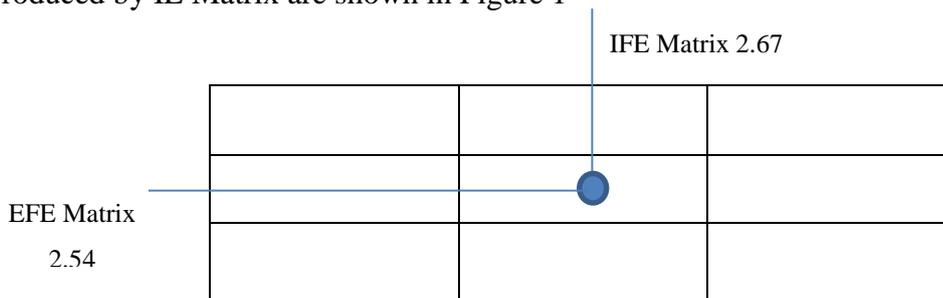


Figure 1. The IE Matrix of Branch X

When viewed from internal and external factors of Branch X of Bank ABC, it was agreed that the market penetration activities that would be carried out are in the following ways:

1. Acquiring a company that does not yet have an account at Bank ABC.
2. Doing retention/visiting customers who have accounts but are passive (dormant accounts) with a minimum balance of IDR 50 million, respectively, to get back active using their accounts.
3. Increasing the number of product holdings of top-playing customers. Product development can only be done by the Head Office, while the Branch is limited to just informing what the customers want or the current trends, then proposing new products/services.

Decision Stage

Decision to choose business strategies was made after comparing their levels of relative attractiveness using QSPM. This method was taken due to its several advantages, namely:

1. Strategy components can be evaluated in stages (in order) or together at one time. There is no limit on how many alternative strategies can be evaluated with QSPM.
2. It can integrate a variety of strategies from relevant internal and external factors into the decision making process.
3. Adaptable to both large and small and both profit-oriented and non-profit organisations, it can even be implemented in almost all organisations by determining the values in Table 9.

Table 9. Analysis of QSPM of Branch X

QSPM of Branch X	Weight	Business Strategic Alternatives					
		S1. Market penetration (acquiring new customers)		S2. Market penetration (retaining customers with dormant accounts)		S3. Market penetration (Adding product holding of top-playing customers)	
		AS	TAS	AS	TAS	AS	TAS
Key Factors							
Opportunities							
1. Each company had more than one account, making it possible to transfer funds.	0.20	3	0.6	2	0.4	4	0.8
2. There was potential to attract 357 companies in Jakarta Industrial Estate Pulogadung to become tenants.	0.18	4	0.72	3	0.54	1	0.18
3. Most companies allowed their members, at the managerial level, to choose any bank in terms of payroll payments	0.15	4	0.6	3	0.45	1	0.15
4. Government policies related to tax amnesty	0.03	4	0.12	2	0.06	1	0.03
Threats							
1. Tariff/rate war between banks.	0.20	2	0.4	3	0.6	4	0.8
2. Difficulties in contacting people in charge of companies that are not yet customer.	0.17	4	0.68	2	0.34	1	0.17
3. Internal policy of several multinational companies in selecting certain banks according to the provisions of their regional/central offices.	0.04	4	0.16	3	0.12	1	0.04
4. Many large companies moved out of Jakarta Industrial Estate Pulogadung	0.03	3	0.09	2	0.06	1	0.03
Strengths							
1. Providing prize-without-draw program to attract customers to	0.20	2	0.4	3	0.6	4	0.8

increase their end-of-month and average daily balance.							
2. Complete transaction support facilities provided by Bank ABC.	0.22	4	0.88	3	0.66	2	0.44
3. Good relationship with the managers of the Industrial Estate	0.03	4	0.12	3	0.09	1	0.03
Weaknesses							
1. Not all employees have good knowledge about products and facilities.	0.03	2	0.06	3	0.09	4	0.12
2. There is a silo mentality between work units.	0.1	4	0.4	2	0.2	1	0.1
3. Most companies use Bank ABC Branch X's payroll facilities only for lower-level employees (operational employees and staff).	0.15	4	0.6	3	0.45	1	0.15
TOTAL			5.83		4.66		3.84

Based on the results of the QSPM analysis above, the ranking order for the three alternative strategies is as follows:

1. Market penetration strategy by acquiring new customers got a Total Attractiveness Score (TAS) of 5.83. This strategy can be carried out by re-mapping tenants who are still active in the area and focusing on offering them to open new accounts.
2. Market penetration strategy by retaining customers who have dormant accounts with balances above IDR 50 million got a TAS value of 4.66. The way to do this is to obtain the latest data about passive accounts, then schedule a visit and make full use of the facilities owned by Bank ABC, to attract the customers to reactivate their accounts.
3. Market penetration strategy by increasing the number of holding products got a TAS value of 3.84. This strategy is carried out by listing products that are considered attractive to customers, conducting visits and knowing customer needs deeply or informing them that Bank ABC provides certain products at a more competitive rate or a more maintained SLA.

MANAGERIAL IMPLICATION

The results of the analysis of the formulation of the strategy describe the strengths, weaknesses, opportunities and threats, as well as strategies that the company can do in the next five years with the achievement of current and savings accounts on average of 18 per cent annually, and to win competition in the banking business in Jakarta Industrial Estate Pulogadung. Based on the results of the analysis in the formulation of business strategies and priorities for developing new products that have been able to be carried out, Branch X of Bank ABC needs to take the following steps:

1. Remapping business locations to get a sharper picture of which companies are still active in the area, the business being carried out, and business flow in general in the industries run by customers, and making a list of priority companies that will be acquired.
2. Making proposals containing 'one-stop solution' in the form of offers related to products or services that can help customer transactions by displaying products/services that can be tailored to the type of business/industry of prospective customers..

3. Involving financial resources, in the form of an annual budget, with a more aggressive portion to invite the market economic outlook forum in the coming years, by inviting tenants in the Region to participate in golf competitions or lunch meetings for each type of industry.
4. Periodically updating employees' knowledge/skills by inviting or visiting other work units to be able to know the flow of services and the basis of tariff determination of a product, and then discuss alternative solutions offered, as well as formulate more competitive rates and make a discussion to respond to what is done by the competitors.

CONCLUSION

The current strategy to increase savings and current accounts by Branch X is 'Overcoming Competition in the Industry by Increasing the Number of Accounts'. However, this strategy is considered not optimal because even though customers want to open accounts at Branch X, they are not necessarily active in making transactions.

The results of the internal factor 'strength' analysis show that the complete transaction support facilities owned by Bank ABC have the highest rating. The element of 'weaknesses' that needs more attention is the silo between work units. The results of the analysis of the external factor 'opportunity' show that the highest rating is of that each company has more than one bank account, making it possible for the transfer of funds. Meanwhile, the element of 'threats', namely the tariff/rate war between banks occupies the highest rating. Based on the analysis of internal and external factors and then combined in IE Matrix, it can be stated that the position of the savings account of Branch X is in cell V. Thus, the strategy that can be carried out is 'hold and maintain', namely through market penetration and product development. Branch X of Bank ABC has penetrated the market with some strategic options, namely acquiring customers who do not yet have an account at Bank ABC (new customers), retaining those who have dormant accounts with a minimum balance of IDR 50 million, and increase the product holdings of the top-playing customers. Following the highest QSPM value, the priority strategy that must be carried out by Branch X is to penetrate the market by acquiring customers who do not have accounts.

FUTURE RESEARCH

The authors recommend that further researches conduct a strategic analysis at other branches of Bank ABC that have different customer characteristics, both individual retail customers and corporates, especially those not located in Industrial Estates which certainly have different characteristics, with the expectation that the findings can be input new for Bank ABC Management to formulate the best strategy in developing programs and products and increasing low-cost funds, both for its branch and national levels.

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