APPLYING CONSUMER BEHAVIOR THEORY IN THE CREDIT MARKET OF BANKS IN VIETNAM

Do Thi Kim Tien

1National Academy of Public Administration, Hanoi, Vietnam

Corresponding Author: Do Thi Kim Tien
Corresponding Author Email: yuductam07@yahoo.com

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ABSTRACT

Modern marketing science says that in business, it is always necessary to satisfy the needs of consumers to get the desired profit. Decisions based on hypotheses about consumer behavior always have a higher probability of success than decisions based solely on managers' intuition. Within the scope of the article, based on the general perception of consumer behavior theory, analysis of the credit behavior of Vietnamese consumers, and the development of Vietnam's credit market, the author proposes some solutions to apply the theory of consumer behavior in credit business in Vietnam in the coming time.

Keywords: Credit, Consumer Behavior, Vietnam.

OVERVIEW OF CONSUMER BEHAVIOR THEORY

Consumer Behavior Concept
In the study Consumer Behavior: Concepts and Applications, David L. Loudon & Albert J. Della Bitta considers: "consumer behavior is the decision-making process and actual actions of individuals when evaluating, purchasing, using or disposing of goods and services"[1]. Similarly, in the book "Consumer Behavior", Leon G. Schiffman & Leslie Lazar Kanuk
conceptualizes: "Consumer behavior is the totality of actions that consumers show in the process of product exchange, including investigation, purchase, use, evaluation, and disposal of products and services to satisfy their needs"[2]. These two concepts have expanded the understanding of consumer behavior, not only focusing on the external expressions of consumers when buying products but also referring to the thinking process, the consumer's consideration before deciding to buy the product, and the consumer's reaction after buying the product.

Thus, it can be understood: consumer behavior is a term that refers to all activities related to the purchase, use, and discontinuation of consumer products, goods, and services. It includes the emotional, mental, and behavioral reactions and attitudes of consumers toward goods and services.

Knowing consumer behavior will help businesses make appropriate products, marketing, and sales strategies. Today, businesses study consumer behavior to recognize their needs, preferences, and habits. Specifically, look at what consumers want to buy, why they buy that product or service, why they buy that brand or why they throw it away/don't continue to use it, how they buy it, where, when, and how much they buy it to build marketing strategies that motivate consumers to buy their products and services and limit and switch consumers to other service providers.

Factors Influencing Consumers' Purchasing Decisions

Consumer purchasing decisions are influenced by many factors. The following key factors are included:

Firstly, socio-cultural factors: Culture is the first factor that greatly influences consumer behavior. The way of dressing, consumption, the perception of the value of goods, the expression of oneself through consumption, ... are all strongly influenced by culture. People from different cultures will have different consumption behaviors. For example, Northerners eat, drink, use cars, houses, and wear different clothes than Southerners. The consumption style of Europeans is very different from that of Asians. Therefore, to be successful, businesses must learn this carefully before entering a market in a certain country. In addition, cultural and community groups coexisting in a country also affect purchasing behavior. And often those cultural groups can be formed by a region or by people of a certain religion or ethnicity.

Among social factors, social class has a significant influence on consumer buying behavior. Social classes are relatively stable groups of people in society arranged in a hierarchy, characterized by common values, interests, and ethical behavior within each class. Enterprises need to pay attention to consumption behavior in different classes, especially for ostentatious goods such as clothes, shoes, vehicles, houses, entertainment and leisure activities, etc. By understanding the consumption behavior of different classes, businesses will have a basis to implement the motto "Selling what customers need".

Second, personal factors: Personal factors include basic factors such as age, occupation, lifestyle, psychology, etc., which greatly affect consumption behavior. Accordingly, in each stage with different ages, people's shopping habits also change. The same goes for people's occupations, usually, people with different occupations will also have different buying behavior. Because occupation determines income, people also need to choose to buy products that suit their pocket. At the same time, each person has a different lifestyle. Therefore,
shopping preferences are different, whether in the same locality or the same occupation. When shopping, people also rely on their appearance to choose products that are suitable and exude their style.

Psychology is also an issue that greatly affects consumer behavior. Accordingly, each person will have their motivation for their shopping and also be self-aware to be able to choose the right product. Normally, before making any purchase, people often go through stages such as attention, distortion, selection, and selective memory. Besides, when shopping, people also absorb opinions from others; or go through their own experiences in life. In addition, it is also possible that the subjective assessment of oneself through beliefs about a certain issue is also a factor contributing to the decision of consumers' shopping behavior.

OVERVIEW OF BUYING BEHAVIOR OF VIETNAMESE CONSUMERS

The buying behavior of Vietnamese consumers can be broadly assessed on the following major trends:

Firstly, Vietnamese consumers shop to "improve their lives". Along with the country's socio-economic development, the middle class in Vietnam tends to increase, it is forecasted to reach about 30 million people by 2020. When consumers have stable and wealthy incomes, they will want to experience new brands that they have not been able to experience before; At the same time, take care of themselves and their family's health more. This is evident in the strong growth of high-end products, such as high-end foods, premium beverages, healthcare, high-end medical services, insurance services, etc., in recent years.

Second, the shopping behavior of Vietnamese consumers is moving towards "smart shopping". Vietnamese people are willing to spend more, but that doesn't mean they will spend indiscriminately. The era of the "Internet of Things" creates an environment for Vietnamese consumers to be exposed to many different sources of information about the same product; Search and shop for the best products and services at the most favorable prices. These new habits are gradually forming a thrifty shopping culture among Vietnamese consumers. And in today's explosive online shopping era, consumers often compare before deciding to buy or use a service because there are so many options.

Third, Vietnamese consumers are more and more interested in learning about the origin of products. Before deciding to buy, Vietnamese consumers always want to find out many issues related to products such as origin, quality, features, taste, packaging, promotion, collection, price, etc. Which, the vast majority of Vietnamese people assert that origin is a key factor affecting their purchase decision compared to other factors. In the age of information that is always disseminated and updated continuously like today, marketing and communication activities are not just mere words of businesses but must be statements and commitments about quality and product origin that are accurate and clear.

Fourth, Vietnamese consumers are moving towards connected consumption. This trend is formed from the active support of the Internet and social networks. As of January 2020, an estimated 68.17 million Vietnamese people are using Internet services and most of them are on social networks. The development of information infrastructure has helped them "connect" more often and be more active in purchasing activities. Being “always connected” helps consumers stay more confident and proactive in their lifestyle. Annual spending of connected consumers in Vietnam will increase from $50 billion in 2015 to $99 billion in 2025. By 2025,
it is estimated that connected consumer spending will account for half of total annual consumption. The above trends are and will be the factors that reshape the habits and consumption behavior of Vietnamese people, thereby leading to a change of the market; which requires businesses dealing in goods and services to always grasp and adjust their marketing strategies accordingly.

**OVERVIEW OF THE CREDIT MARKET IN VIETNAM**

In the process of renewing and developing banking activities, along with the marketization of credit relations and banking services, our country has also gradually formed and developed the money market and credit market. The financial market, the money market in general, and the credit market, in particular, are very important prerequisites for the effective exploitation and use of resources in the economy. In the structure of the financial market, the credit market plays a particularly important role. The credit market is decisive for the mobilization and allocation of idle capital economically and efficiently. A healthy and developed credit market is an essential factor to ensure the safety of financial institutions, and credit institutions as well as the stability and development of the economy. The more the economy develops, the more it is necessary to have a complete, modern, and safe credit market. In our country, in general, the financial market is still developing at a low level. The money market still has limited possibilities for the effective use of monetary instruments and has not yet created the necessary preconditions for the dynamic and effective development of the entire financial market. The capital market is not yet a diversified and effective capital allocation channel of the economy, in which the stock market and the bond market (especially corporate bonds) are still too small, not having enough volume of goods needed to create a vibrant and attractive capital and stock market. Investment capital for production and business activities of the economy still has to rely too much on credit sources provided by banks. The system of credit institutions, especially state-owned credit institutions, is still the main source of capital. Businesses, households, and individuals are looking for every opportunity to access bank credit sources. It can be generally assessed that, despite being established for a long time, since the transformation of the operating mechanism of the economy in general and the operation of the financial and banking system in particular, the credit market has had conditions for comprehensive and rapid development. Compared with the money market and other capital markets, the credit market is considered to have grown stronger and more vibrant in the past time. The basic components of the market are relatively complete. Market participants are increasingly diverse. Many types of credit organizations with forms of state ownership, shares, and cooperatives were established with an increasingly large scale and network of organizations. The market has settled a large amount of bank credit capital, which plays a major role today in providing capital for the economy (in 2002 the bank credit balance reached 52% of GDP, while government and corporate bonds only reached 2% of GDP, the value of stocks traded on the market was only 0.45% of GDP). Medium and long-term credit capital also increased rapidly (accounting for 38-40% of total credit outstanding in 2002). Credit relationships, including capital mobilization and lending in the formal credit market and the informal market, have been expanded, creating favorable conditions for increasing credit demand and supply. Credit instruments participating in the market are increasingly
diversified with many new forms of credit in both investment fields: production and business as well as consumption. Credit relationships are formed and governed by market laws. The volume of goods and credit prices are initially regulated by the laws of market supply and demand, the law of competition, and the law of prices. However, it is the rapid development of the credit market in the context that the Government's ability to control the market is still limited, combined with the inherent endogenous defects of the market and the backlog of the old economic mechanism, which has caused the credit market to reveal many inadequacies, instability and not a healthy development. The economy's large demand for investment capital, coupled with the weakness and slow development of capital markets, is creating pressures and boosting bank credit growth at a rather hot and worrisome level. Moreover, in the context of growth and expansion of international integration, first of all, to fulfill the commitments of the Vietnam-US Trade Agreement and to join the World Trade Organization (WTO), the domestic credit market will also face many challenges impacting from many sides, including the difficult internal factors of the economy, as well as the fierce competition in the globalized financial market.

1- The current concern of the credit market is considered the hot growth of bank credit in the face of the capital pressure of the economy. Bank credit is the main form of capital mobilization for our country's enterprises. Credit institutions, especially state-owned credit institutions, still operate mainly in mobilizing and lending with traditional forms of credit, accounting for 75-80% of the market share as well as assets of the entire banking system. The ability to access capital of non-state enterprises is still limited, which is caused by two sides: non-state enterprises lack loan conditions, and credit institutions are afraid of loan safety issues. Therefore, credit allocation is still considered to be more priority for state-owned enterprises, especially to concentrate a lot of capital for several corporations 90, 91. The capital structure as well as the investment structure is not suitable and meets the medium and long-term investment requirements for basic infrastructure works for industrialization and modernization, especially in the fields of agriculture and rural areas.

2- For the system of credit institutions, the capacity of loan supervision and risk management has not yet met international standards, the pressure of designated lending has decreased but remains. The process of restructuring the banking system is slow and facing many difficulties, overdue debts are likely to continue to arise due to the rapid expansion of credit, some credit institutions tend to loosen loan conditions, lower interest rates to win customers, provide loans by appointment for many large projects, economic efficiency is not fully assessed and appraisal is not rigorous. Along with other objective and subjective reasons, the credit quality of many credit institutions is not high, potential and contains many risks for both the credit of the state economic sector as well as the non-state economic sector.

3- The imbalance in credit term structure, as well as the excessive use of short-term capital for long-term loans of some credit institutions should be carefully reviewed to avoid becoming factors that can cause instability in the credit market. Although mobilization measures have been strengthened, the medium and long-term capital mobilization capacity of credit institutions is still low compared to the economy's demand for long-term investment capital. Moreover, the main mobilized capital is still the traditional form of savings, accounting for about 80% of the total deposit mobilization from the population. The term imbalance between capital sources and capital use, while short-term mobilized capital accounts for 70% of total
capital, medium and long-term loans account for 45% of total loans to the economy. Therefore, under the pressure of the economy, the use of short-term mobilized capital for long-term loans is considered a temporary solution of the State Bank at present (allowing credit institutions to do so with a maximum rate of 30%). However, if credit institutions fail to maintain stable capital mobilization as planned, as well as the ability to collect debts incompatible with deposit payment requirements due to time differences, it may lead to the risk of insolvency, which is easy for any credit institution with small size, low capital adequacy ratio and heavy use of short-term capital for long-term loans.

4. The concessional credit market exists parallel to the commercial credit market, but the boundary between these two markets is not demarcated. The establishment of the previous Development Assistance Fund and the current Social Policy Bank was to separate policy lending from commercial lending. However, the activities of these organizations have many impacts on the formation of objective interest rates according to market supply and demand, affecting the health and liberalization of the credit market as well as the effective control of the money supply of the State Bank to the economy through the credit route.

5. The rapid increase in types of credit institutions is essential for the development of the credit market. However, when there are more credit institutions and financial institutions, the competition in the credit market becomes fiercer. Credit institutions are tending to expand their operating areas by establishing and developing more branches, even in the same small area (in the same small administrative unit at the district and town level, but there are also 2-3 branches of the same bank that are established independently in doing business with each other).

This not only creates competition between one credit institution and another, but also unnecessarily stiff competition among branches of the same credit institution. The consequences of the over-expansion of the branch network organization system due to the lack of calculation and reasonable division of operating areas is a warning for the competition for customers, unequal competition, the loss of cooperation, and the donor community, which is essential for banking credit activities in the market mechanism.

6. Regarding the structure of participants in the credit market, in fact, many socio-political organizations such as the Vietnam Women's Union, Vietnam Farmers' Union, Veterans Association, Committee for Mountainous Ethnic Minorities, several foreign NGOs, the Vietnam-Belgium Credit Project, the UNLCEF's Credit Savings Project... In addition, state economic organizations such as the State Treasury, Development Assistance Fund, and Credit Guarantee Fund also have credit operations, but their organization and operation are not regulated by the Law on Credit Institutions. Therefore, the credit activities of the above organizations have made the credit market diversified but complicated, lack of management and equal competition in credit relations in the same area, with the same borrowers...

7. Although the credit market is currently quite active, in general, the economy has not been able to handle the entire capital demand through the bank credit channel. The capacity and flexibility of the credit market are still limited, many borrowing needs have not been met, especially medium and long-term capital and the needs of small, odd, and seasonal capital in agriculture and rural areas.

According to estimates of many economic experts, bank credit sources only meet about 30-35% of credit capital needs in agricultural and rural areas. Therefore, the underground credit
market still exists as a necessity with the situation of usury in many forms: hui, hot loans, mortgage loans... in the non-state economic sector, especially in the private sector. These forms of credit outside the legal framework have seriously damaged social productive forces, especially for poor households in both urban and rural areas.

8. Credit interest rates are volatile and not the price of credit determined by capital supply and demand in the market. The reason is partly due to the lack of objective regulation of the market due to the impact of subjective factors of mechanisms and policies, partly due to the capital pressure of the economy on credit institutions, especially state-owned credit institutions in recent times. Moreover, the monetary market regulation tools of the Central Bank have not promoted their inherent roles and effects due to the lack of a true market-based economic environment. On the other hand, there are many different interest rates imposed on the market because there are many types of preferential credit and policy credit of the State. The excessive preferential interest rates in the same area, even the same borrower (only different sources of loan capital) have created inconsistency and inequality in credit relationships, making the credit market not objectively reflect capital supply and demand.

9. In the past, commercial credit was hardly used because there was no guarantee law, causing the state to be misappropriated tens of thousands of billions of dong because of the indebtedness between businesses. Recently, from the beginning of 1999, although there was the Ordinance on Bills and Commercial Papers, this form of commercial credit has not yet developed much because of the large backlog of debt that has not been resolutely handled. In addition, many businesses face difficulties, losses, loss of business reputation or bankruptcy, and dissolution, making it impossible to expand the form of credit trading. Therefore, commercial credit does not contribute to creating vitality and reducing pressure on traditional credit activities in the current short-term credit market.

APPLYING THE THEORY OF CONSUMER BEHAVIOR IN CREDIT ACTIVITIES

From the theory of consumer behavior and the current situation of Vietnam's credit market over the past time, businesses need to perform the following activities well:

**Customer Care**

Customer care is the services credit businesses provide to customers before and after they use them, to satisfy and meet the needs and expectations of customers. To retain customers and develop businesses, it is necessary to give customers the best care service. To take care of customers effectively, credit businesses need to implement the following specific activities:

Improving service quality at each stage of professional implementation: The process of implementing an insurance business includes the following stages: insurance exploitation, assessment-compensation, prevention, and loss reduction. Good performance at each stage will contribute to creating a value-added chain for both credit businesses and customers.

For the exploitation work: Credit enterprises need to improve the qualifications and professional ethics of operators and insurance agents: to be honest when advising customers to buy insurance, not to help customers take advantage of insurance, to perform well the initial risk assessment. Credit enterprises need to research and develop methods to evaluate exploitation results associated with exploitation efficiency.

For the work of assessment - compensation for loss: Credit enterprises need to have a plan to develop human resources adequately in terms of quantity and professional qualifications,
meeting the requirements of this work. Avoiding the situation due to a lack of people leads to waiting claims, affecting the restoration of production and business of enterprises and stabilizing people's lives when at risk. Using outsourced inspection services for some types of insurance (such as cargo insurance) is also a measure applied by insurers, especially small-scale insurers. To avoid insurance fraud, affecting reputation and business performance, businesses can research and establish a Claim settlement center and apply management software.

For loss prevention: Enterprises need to build regular communication channels with customers, to capture and provide timely information to customers about the cause of loss, and about changes affecting the level of risk, thereby adjusting risk management and preventing loss to be better implemented.

**Marketing**

Understanding consumer behavior plays an important role in all stages of the process of planning marketing strategies in general and marketing mix strategies in particular for credit businesses.

In planning a marketing strategy, businesses need to pay attention to the following specific activities:

Market opportunity analysis stage: Market opportunity analysis is the starting point of strategic planning, in which consumer analysis is considered the most important factor. The consumer “profile” is always considered the core document even when analyzing other factors of the environment.

Market segmentation phase - selecting target markets: The most important question in this stage is "What characteristics of consumers help businesses have reliable bases to form profitable market segments?". The above question can only be answered accurately when there is sufficient and accurate information and data about consumers through consumer behavior research activities.

Market Positioning Stage: Market positioning is one of the most important parts of a marketing strategy. The job of the positioning phase is to identify a specific location for the product/service that the business provides to consumers and is recognized by them. To do this, businesses need to solve two problems, one is to design images/icons that create associations that businesses want in consumers about their products/services; Secondly, implement effective communication activities to shape the image of products/services or brands or businesses in the minds of consumers and to give consumers the feeling that "the product is for them". Both of the above problems are only solved based on capturing consumer behavior.

In planning the marketing mix strategy, businesses must master the mechanism of using the results of consumer behavior research to serve the selection of marketing strategies, specifically:

Building product/service decisions based on research and behavioral capture: credit must be based on consumer behavior, important service standards that consumers care about,... to develop service-specific decisions. It is possible to change the elements of the service to affect their perception and satisfaction level. Understanding the service approach, loyalty level, and intention to continue buying services of customers is the basis for developing measures to influence purchasing behavior.
Behavior-based marketing communication decisions: Research and capture information-receiving behaviors to select appropriate messages and media. Capture the customer's views on advertising or their cognitive process, the process of forming buying behavior to use the appropriate communication tools for each stage. It is also possible to use environmental factors such as the spread of word of mouth, or the mechanism of information spreading on the network to carry out communication.

Price management based on consumer behavior: Based on customers' views on price, the price they accept, and the level of price sensitivity, to offer a price that matches their perception.

Building a distribution channel strategy based on consumer behavior: Understanding how customers have shopping habits to determine where, when, and how to provide services to customers. Based on the study of customers' perception of the business image choose the right channel type for the product/service of the business. Research loyalty behavior, repeat purchases at the point of sale, and how consumers choose the point of sale, ... to have strategies and measures to build and choose the right selling point.

References


